



Daily Report

China

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Political & Social

Li Tieying Addresses Zhejiang Cadre Meeting

OW1508030095 Hangzhou ZHEJIANG RIBAO
in Chinese 29 Jul 95 p 1

[Report by reporter Yang Xinyuan (2799 2450 0337): "Li Tieying, at Zhejiang Meeting of Party Leading Cadres of Various Departments at the Provincial Level, Puts Forward the Establishment of a Social Security System With Chinese Characteristics"]

[FBIS Translated Text] Li Tieying, member of the Political Bureau of the CPC Central Committee, state councillor, and concurrently minister of the State Commission for Restructuring the Economy, stressed at a meeting of party leading cadres of various departments of Zhejiang Province today: The social security system is an important part of the socialist market economic structure. The establishment of a social security system with Chinese characteristics is important engineering of the social system and it involves a high degree of difficulty. However, reform and opening up to the outside world has created good conditions for fulfilling this historical mission. We must seize the opportunity and actively and prudently reform the social security system.

Li Tieying said that the social security system is an economic social system which maintains social security and has a bearing on the immediate interests of the broad masses of people. The reform of the social security system is the key point of reform this year. "The Decision on Several Questions Concerning Establishing the Socialist Market Economic Structure" adopted at the Third Plenary Session of the 14th CPC Central Committee has set clear targets and principles for reforming the social security system. Our cadres at various levels, principal comrades in charge of city governments at various levels, and comrades engaged in such reform in particular, must truly clarify the goal and significance of reforming the social security system, the targets and principles of reform, the reason for reform, how to carry out reform, and some important questions and theoretical questions.

Li Tieying stressed the important role and position of the social security system. He said that reform of the social security system is an important coordinating reform in the course of reforming state-owned enterprises at a deeper level. Speeding up the reform of the social security system is needed to promote the sustained, rapid, and healthy development of the national economy. The social security system is a "stabilizer" of society and is also a "stabilizer" of the economy. It is a kind of distribution system and a "regulator" for the income distribution of different communities in society. It helps to

eventually achieve common prosperity by letting some people become prosperous first.

Li Tieying pointed out that the establishment of the social security system should be based on our country's national conditions. First, we must persistently proceed from reality. Our country is a big country with a large population, its level of development of the productive forces is quite low, and its development is uneven. In establishing the social security system, we should consider the unity of standardization and policies, as well as the flexibility and appropriateness of policies. We should never ignore concrete situations or do things blindly and indiscriminately. We must consider the present as well as the distant future. The most basic national condition of our country is that it is still in the initial stage of socialism and making great efforts to develop the productive forces is a matter of the utmost importance. Work in all aspects should take this as the starting and ending points. Second, the level of social security should suit the level of development of the productive forces. It would be difficult to maintain a system of "comprehensive welfare" which covers everything, much less a high level of welfare. Third, we must uphold unity between rights and obligations. At present, social security spending has been excessively taken care of by the state and enterprises. Individuals contribute very little. The state and enterprises have found the burden unbearable. This has also resulted in the lack of a sense of responsibility for self-protection among laborers. It is a misunderstanding to think that it is a characteristic of socialism for the state and enterprises to entirely take care of social security. Fourth, we must uphold the integration of efficiency and fairness. At present, we should give more consideration to the establishment of a mechanism which encourages economic development. We must eliminate the practice of "eating from the same big pot" and egalitarianism, and give greater protection for and encouragement to economic development.

Li Tieying said that in accordance with the guidelines of the "decision" of the Third Plenary Session of the 14th CPC Central Committee, the goal of reforming our country's social security system is to basically establish, by the end of this century, a social security system which meets the needs of the socialist market economic structure, which has multiple sources of funds, which has multi-level forms of protection, in which rights correspond with obligations, and whose management and service are socialized. To attain the above goal, we must adhere to the principle of unity between policies and organizations, must unify basic policies for social security with rules and regulations, and must formulate laws for management; we must adhere to the principle

of separating the administration of government from the management of institutions; government administrative management from the operation and management of insurance funds; and executive organizations from supervision organizations. We must adhere to the principle of socialization and must change the existing situation of "enterprise insurance" in which social security management and service are basically undertaken by enterprises; to the principle of universal coverage and social security that should cover all members of the society; to the principle of having difference between urban and rural areas; and to the principle of gradual establishment and the principle of running social security by multiple sides.

Li Tieying said that China's social security system is mainly made up of three big blocks. The first block consists of social security items supported by state finances, including social relief; social welfare; giving special care to disabled servicemen and to family members of revolutionary martyrs and servicemen, and making arrangements for demobilized soldiers; and community services, totalling four. Another block is compulsory social security items according to state laws, including care for the aged, unemployment, medical service, industrial injuries, insurance for childbirth, and housing guarantees, totalling six. This is the main part of the social security system. The third block is commercial insurance, which follows the principle of voluntariness and whose aim is to make profits. It includes individual insurance, enterprise insurance, and mutual insurance, totalling three. It is the major supplement to social security.

Li Tieying said that establishing a social security system with Chinese characteristics involves many aspects and is an important and major feat of social system engineering. It involves a high degree of difficulty. However, the present opportunity is rare. Reform and opening up to the outside world have created good conditions for fulfilling this heavy historical mission. The sustained, rapid, and healthy development of China's economy and the relatively fast growth of personal income has laid a solid material foundation for speeding up the reform of the social security system. He said that, at present, we should properly grasp work in the following aspects in this reform: 1. We must strengthen leadership and properly carry out experiments at selected points. 2. We must perfect the legal system and speed up legislation so that the operation of the social security system can be carried out according to laws and regulations. 3. We must strengthen the supervision, management, value preservation, and value addition of social security funds. 4. We must seriously do a good job in forecasting the results of concrete plans. We must also properly carry

out publicity work and strengthen training of specialized personnel for social security work.

Li Tieying finally said that the social security system is an important part of the socialist market economic structure. We must, under the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, seriously implement arrangements made by the CPC Central Committee and the State Council, emancipate our minds, change our concepts, make careful designs, practice courageously, and fulfill this important historical mission in a down-to-earth manner.

Liu Feng, deputy secretary of the Zhejiang Provincial CPC Committee, chaired the meeting. Zhang Haoruo, secretary of the party group and vice minister of the State Commission for Restructuring the Economy, Liu Zhifeng, vice minister of the State Commission for Restructuring the Economy, and provincial leading members Wang Qichao, Liu Xirong, Li Jinxing, Si Daxiao, Lu Zushan, Kong Xiangyou, Zheng Shu, Xu Zhichun, Sun Jiaxian, Chen Fawen, Zhan Shaowen, Wang Xixuan, and Lu Songting attended the meeting. All delegates to the national forum on structural reform also attended the meeting.

NPC Official Tours in Heilongjiang

SK1508060395 Harbin Heilongjiang People's Radio Network in Mandarin 1000 GMT 14 Aug 95

[FBIS Translated Text] Fei Xiaotong, vice chairman of the National People's Congress [NPC], made inspection tours in Heilongjiang Province from 1 to 13 August. He urged the province to earnestly implement the overall plans of economic development, which have been already defined, and to strive to make a new leap forward in the economy.

During his inspection tours in the province, Vice Chairman Fei Xiaotong successively met Yue Qifeng, secretary of the provincial party committee; and Sun Weiben, chairman of the provincial people's congress standing committee. He attentively heard the briefing given by Comrade Yue Qifeng on the province's overall plans for economic and social development. He agreed very much with the province's strategic policy decision to build Heilongjiang largely engaging in farming into a strong agricultural province.

During his inspection tours in the province, Fei Xiaotong also held successive forums with responsible comrades from the planning and agricultural commissions of the province, Harbin city, and Mudanjiang city, as well as with comrades from some large and medium-sized enterprises and who were working at the grass-roots level. He also inspected a polyester fiber

plant and pharmaceutical factory in Harbin, looked into the growth of crops among the localities—including Acheng County—and paid a visit to farm households.

Vice Chairman Fei Xiaotong stated: Heilongjiang Province is located in the central part of Northeast Asia. Its geographical position is very important, its natural resources very rich, its industrial foundation good, and its industrial practical strength abundant. In view of agriculture, the province is the country's main production base of marketable grains. Its transportation modes are relatively flourishing and the strength of its talented personnel as well as its science and technology is not weak. Its conditions in various fields are very good. Since the program of reform and opening up, the province has also achieved very great progress in its work. Of course, it has certain difficulties at present. However, the provincial party committee has formulated overall plans for achieving development in the province and has made important arrangements for the strategy. It is convinced that Heilongjiang can certainly build itself into a strong province.

Fei Xiaotong pointed out: We have reached a common understanding on China that must follow the road of modernizing industries. However, China is a country with agricultural traditions. The issue of how to build up industry in the course of developing agriculture represents a great issue that has a bearing on whether the vast countryside in China can become wealthy rapidly and even on whether the country can become strong and flourishing rapidly. As long as peasants are holding money in hand, they may concentrate their funds on opening enterprises. This means that every household should start in opening business; every village should have the business with its own characteristics; and rural areas should achieve development in business through associations so as to form a production base, to open markets to gradually broaden their business, and to build themselves into industrialized rural villages with strong practical strength.

During his inspection tours in the province, Vice Chairman Fei Xiaotong also inspected the standing committee of the provincial people's congress and held a forum with the comrades from the provincial Democratic League.

Police 'Harassment' of Liu Gang Worsening
HK1508012895 Hong Kong EASTERN EXPRESS
in English 14 Aug 95 p 14

[By Didi Tatlow]

[FBIS Transcribed Text] The dissident, Liu Gang, is back in his home in Liaoyuan city in northern Jilin

province but he says harassment by members of the Public Security Bureau is getting worse.

The New York-based group Human Rights in China reported late on Friday that it had been unable to contact Liu after a telephone conversation was cut off the same day.

Liu is awaiting the outcome of an appeal lodged with the Liaoyuan Intermediate court. He is appealing against a 10-day detention order handed down by the district court for refusing to fulfill a weekly "thought report" to the Longshan public security station as part of his post-release punishment.

Liu, 35, was released on June 18 after serving six years in prison for his part in the 1989 Tiananmen Square democracy movement. He is currently serving a two year "deprivation-of-political-rights" order. Liu is forbidden to leave his city of residence in northeastern China's Jilin province unless he obtains the explicit permission of the police. Other terms of the 13-point post-release order state that he is forbidden to deal with unspecified "contacts" in the outside world or to "cause damage to the state".

Liu said yesterday it was virtually impossible for him to conduct telephone conversations as the line out of his home was cut every few minutes.

An obscene phone call which Liu claims came from public security bureau officers was played back to Eastern Express last night. It contained death threats and other invective which could not be printed. The phone calls were made as late as 3am, Liu said yesterday, and as often as every few minutes in certain periods. Liu did not say how he knew the obscene phone calls came from the police, but said plain-clothed police armed with an iron bar and stones threatened to "beat (him) to death" recently outside his home. A permanent corps of at least eight civilian-clad "minders" was stationed outside his apartment building, he said.

Liu said he had never been formally served with the regulations outlining the present restrictions on his movement, although he obtained an informal copy after demanding it from the police. Liu said he did not expect to win his appeal against the detention, but vowed he would not comply. "If I have to have political detention, then thought will not be part of it," he said yesterday.

Liu had earlier filed a suit against the Longshan police at the district court protesting the 10-day jail sentence, charging them with harassment. The suit was rejected by the court. "The court considers that the accused Public Security Bureau acted legally and does not support the suit brought by the plaintiff," the court's decision read.

In a petition sent to the President Jiang Zemin and the head of China's parliament, Qiao Shi, last Monday, Liu called on them to permit him to leave China "if there really is no space for me here in all the square kilometres of China".

Liu was among a handful of Tiananmen participants charged with subversion after the crackdown. Others include Wang Juntao, who has since left for the United States, and Chen Ziming, whose wife has appealed for his release on medical grounds. Chen is suffering from cancer and other ailments.

Police Detain Greenpeace Activists, Journalists

*BK1508053795 Hong Kong AFP in English
0507 GMT 15 Aug 95*

[FBIS Transcribed Text] Beijing, Aug 15 (AFP) — Six Greenpeace activists were detained by police Tuesday from Beijing's Tiananmen Square as they protested nuclear testing, in the first-ever action in China by the international environmental group.

About 10 foreign journalists, two from AFP, were also taken away by some 30 civilian and military police, many in plain clothes, at about 08:40 am (0040 GMT), less than a minute after the activists unfurled a large banner saying "Stop All Nuclear Testing" near Mao Zedong's portrait, witnesses said.

Greenpeace spokesman Damon Moglen, revising the number of activists detained from five to six, said they included the group's Executive Director Thilo Bode as well as officers from the four nuclear weapons nations in which it has branches — France, Britain, the United States and Russia.

Moglen identified them as Greenpeace France Director Penelope Komites, Greenpeace UK board member Anne Dingwall, Greenpeace Russia Director Sasha Korre and Greenpeace USA board member Bill Kelley.

Harold Zindler of Greenpeace's German office, who was among activists handing out a statement to passers-by in the square, was also taken away, the spokesman said.

The group was taken by small public bus, apparently requisitioned by the police, into a building behind the Tiananmen gate, witnesses said.

Foreign journalists who managed to contact their offices briefly by mobile telephone at about 9:30 am said they were being held in a police station, adding that they believed they would be released during the morning.

"We know they were taken to the station, but don't know their status. We are in the process of communicating with embassies to get information," the Greenpeace spokesman said.

Embassies representing the detained foreigners here said they had no information yet on their whereabouts, while a foreign ministry spokeswoman said the department had dispatched officials to look into the matter.

The protest came amid an international outcry over French plans to conduct a series of tests at Mururoa Atoll in the South Pacific starting next month and foreign media reports that China is preparing for a 43rd test at its far-western Lop Nor site in coming weeks.

In addition to the main slogan, written in English and Chinese, Greenpeace's six-metre-long (19.8-foot) yellow banner also featured a picture of an upright missile with a red cross through it.

Under the image was written in Chinese characters, "Nuclear weapons. China, the United States, France, Britain, Russia. Stop Chinese Nuclear Testing. [quotation marks as received]"

France's move will end its observance of a moratorium on testing in place since 1992. The other three nuclear powers, the United States, Russia and Britain have been observing the moratorium.

China, which has never observed the moratorium, staged its latest nuclear test in May following one in October 1994. President Jiang Zemin, in a recent newspaper interview, reiterated China's intention to continue testing.

Moglen said Tuesday's protest was "an attempt to forestall China from conducting an imminent nuclear weapons test."

China, which exploded its first bomb in 1964, argues that it has held far fewer tests than other nuclear states and says it will not stop until a test ban treaty is signed. UN talks in Geneva aim to finalise the accord by 1996.

"By conducting nuclear tests now, China and France threaten to hijack the growing momentum towards a global ban on nuclear testing," a Greenpeace statement quoted Bode as saying before his detention.

Moglen urged China "to provide leadership in negotiations on a global nuclear test ban treaty, rather than conducting tests that threaten the environment and imperil the future of the international nuclear non-proliferation treaty."

He rejected arguments that the tests were aimed at safeguarding national security, noting that bombs being exploded by China now were 16,000 times the strength of the one dropped on Hiroshima.

"The notion of national security requiring more weapons looks back to the madness of the nuclear arms race rather than forwards into a new mode of international

security," he said, adding that conducting tests promoted instability by encouraging other nations to follow suit.

Journalists Released

*BK1508075595 Hong Kong AFP in English
0630 GMT 15 Aug 95*

[FBIS Transcribed Text] Beijing, Aug 15 (AFP) — Chinese police released eight foreign journalists from more than five hours of detention Tuesday for covering a Greenpeace protest against nuclear testing in Beijing's Tiananmen Square.

Six Greenpeace activists and two photographers linked to the international environmental group remained in detention, one journalist said by telephone after his release at about 2:00 pm (0600 GMT).

The journalists had been held in a police station behind the Tiananmen gate since being picked up by officers at about 8:40 am Tuesday as they watched five Greenpeace activists unfurl a banner reading "Stop All Nuclear Testing" near Mao Zedong's portrait.

He said the journalists had been briefly questioned by police and had since been waiting to be released, adding that they had to sign a "confession" that they had violated regulations by failing to apply to the "proper channels" for covering the event.

Victory in Japan's War of Aggression Viewed

*OW1508045495 Beijing Central People's Radio
Network in Mandarin 2230 GMT 14 Aug 95*

[Station Commentary: "Revelation of the Great Victory in the War of Resistance Against Japanese Aggression" — from the "News and Press Review" program]

[FBIS Translated Text] Fifty years ago today was a historical turning point for modern China. On that day, Japan, a defeated country in World War II, announced its unconditional surrender. The Chinese nation won a great victory in the War of Resistance Against Japanese Aggression. Looking at today and thinking of the past, all sorts of feelings well up in our hearts. That victory was not easy to come by, and was purchased with the lives of many martyrs by the Chinese soldiers and civilians. The victory proves that the Chinese people are indomitable and unyielding. The victory also proves aggressors which try to subjugate other countries will fail in the end.

China's victory in the War of Resistance Against Japanese Aggression was the first comprehensive victory in resisting foreign invasion in one hundred years. It totally changed the situation in the Far East which had existed since the Opium War. It was a historical turning point in the development of modern China and the people's

struggle for liberation. Past experience, if not forgotten, is a guide for the future. History can tell about the future. The victory in the War of Resistance of Japanese Aggression has given a deep historical revelation to the people of China in the new period. The unprecedented unity of a nation was the key to the victory in the War of Resistance Against Japanese Aggression. During the long and difficult period from "18 September," when the Japanese aggressors were swaggering around, to "15 August," when they raised their hands in surrender, the spirit of unity of the Chinese nation was unprecedentedly carried forward. Under the banner of the national united front for resisting Japanese aggression created and advocated by the CPC, all the people were mobilized and all the people were soldiers. A heroic and moving musical movement of resisting Japanese aggression and saving the country was written.

Unity is needed to win a war. Unity is also needed to make the country strong and the people prosperous. It is necessary to give up small interests in exchange for the righteousness of a cause and to fight shoulder to shoulder. History proves that, no matter whether it is in the War of Resistance Against Japanese Aggression or in times of construction, the powerful leadership of the CPC is needed. Without the Communist Party, there would be no New China. This is a truth proved in practice. The new period of reform and opening up to the outside world and modernization is a crucial period in which the Chinese nation marches from independence to prosperity. It is difficult to start an undertaking, but it is even more difficult to develop the undertaking. Let the people of all nationalities of the country be united closely round the party Central Committee with Comrade Jiang Zemin as the core and, under the guidance of the party basic line, score new victories in the great cause of revitalizing China.

Lu Xun once said that many historical lessons were exchanged with extremely great sacrifices. The history of the War of Resistance Against Japanese Aggression has also revealed to us that if we are backward, we will be beaten. To shake off backwardness in economy and science, to improve the quality of the whole nation, and to develop comprehensive national strength is the basic strength to resist foreign aggression and to safeguard national security.

History is on the threshold of the 21st century. Peace and development have become the mainstream of the times. However, mankind should not lower its guard. On tranquil evenings, fascists' knocks on the door are often heard. In Japan, a small number of people have even distorted history and denied the fact of aggression in their vain attempt to revive militarism. Peace-loving

people should not lower their guard while they are working for prosperity.

Workers Urged To 'Actively' Engage in Reform

*OW1408144495 Beijing XINHUA in English
1437 GMT 14 Aug 95*

[FBIS Transcribed Text] Beijing, August 14 (XINHUA) — Chinese workers should carry forward the revolutionary cause pioneered by their predecessors and become actively engaged in reform, opening up and the drive to turn China into a more powerful country.

Zhang Dinghua, vice-president of the All-China Federation of Trade Unions, made the remark at a meeting held here today commemorating the 50th anniversary of the victory in the War of Resistance Against Japan (1937-1945).

He said that the Anti-Japanese War was a great and just cause in which the Chinese people fought against invasion by the Japanese imperialists and strove for the independence and liberation of the Chinese nation.

He added that the Chinese workers and trade unions actively took part in this just struggle, setting a good example for later generations.

The vice-president urged trade unions at all levels to safeguard and give full play to workers' initiatives and promote common social progress while taking the general interest of the Party and the country into account.

At the meeting, some veterans who participated in the war exposed the appalling atrocities committed by the Japanese invaders and expressed strong indignation over some Japanese elements who refuse to conduct self-examination, but gloss over the Japanese invasion.

Commentator Hails Women's Development Program

*HK1508064995 Beijing RENMIN RIBAO in Chinese
8 Aug 95 p 1*

[Commentator's Article: "Attaining New Targets and Greeting New Century — Congratulations on Promulgation of 'Program for Development of Chinese Women'"]

[FBIS Translated Text] On the occasion of the Fourth World Women's Conference, which is to open soon, the "Program for the Development of Chinese Women" (1995-2000) has been officially promulgated and implemented following discussion and approval by the Executive Meeting of the State Council. This is our government's first special plan for the development of women. Its promulgation and implementation is a matter of primary importance in the course of the development of

Chinese women. We extend our warm congratulations to it!

Our party and government have always advocated the equality of men and women, and have attached importance to and supported the development of women. We also have paid attention to studying and solving the problems of women. Over the past 46 years since the founding of new China, and particularly since the convening of the Third Plenary Session of the 11th CPC Central Committee, achievements of world interest have been scored in women's undertakings in China. At present, a series of legal systems based on the "Constitution" which is aimed at protecting women's rights and interests and at promoting women's development has been established. They are composed primarily of the "Law on Protecting the Rights and Interests of Women," and include such laws and regulations as the "Marriage Law," the "Inheritance Law," the "Labor Law," the "Law on Protecting the Health of Mothers and Babies," and so on. We also have set up and improved organizations and organs that correspond with these laws and regulations in order to protect women's rights and interests. We have taken forceful measures to effectively promote the all-round development of women. In the meantime, we also should understand that ours is a developing country that is constrained by the level of our economic and social development, and is influenced by old ideas. It is still a long-term and strenuous task to turn the de jure equality of men and women into de facto equality of the sexes.

The world is advancing toward the 21st century. The years to come are an important period during which our country will promote reform, opening up, and modernization, and will establish the socialist market economy system. The active participation of women, who account for half of our national population, is indispensable to attaining our strategic second-step targets. To mobilize and organize women of various nationalities throughout the country to participate in reform, opening up, and socialist modernization; fully improve their quality; further enhance their status; protect their rights and interests according to law; and carry out our government's commitments to relevant international conventions; the State Council has promulgated the "Program for the Development of Chinese Women" (1995-2000). In accordance with the general targets of the 10-year plan for our country's national economic and social development, the "program" sets 11 goals that should be attained by women in our country in terms of participation in government and political affairs, employment, labor protection, education, hygiene, health care, and so on, and proposes the policies and measures for attaining these goals. The "program" attaches importance to solv-

ing new women's problems, which arise in the course of reform, opening up, and the establishment of the socialist market economy system. It gives prominence to focal points, and defines the relevant development fields that claim precedence over others. It lays particular stress on enhancing the overall quality of women and the level of their participation in development. It emphasizes that we must attach importance to and assist the development of women in the remote border and impoverished areas, and in areas inhabited by minority nationalities, and must protect the special interests of under-age, old, and handicapped females. It is a programmatic document aimed at protecting women's legitimate rights and interests, promoting their all-round development, and standardizing and guiding women-related work in our country. It embodies the objective demand of historical development, and reflects the common aspirations of millions upon millions of women. It is of great practical and profound historical significance to strengthening the building of the socialist material and spiritual civilizations, and to attaining the strategic second-step objectives.

Implementing the "program" is an important duty of governments and relevant departments at all levels. They must strengthen leadership over this work with a high sense of responsibility and mission. They must conscientiously study, provide meticulous guidance to, and carefully organize the work. At present, the central and local authorities are formulating their "Ninth Five-Year Plan." Governments and relevant departments at all levels must seize this favorable opportunity to include their plan for the development of women in the overall plan for economic construction and social development in various localities. In the meantime, in accordance with guiding ideology and general targets of the "program," they also must make women's development plans for their own areas and departments in light of their own actual conditions so as to ensure the fulfillment of the general targets.

Attaining the targets of the "program" is a systematic project. It is necessary to rely on the extensive participation and full cooperation of society as a whole. At present, it is necessary to mobilize the strength from various quarters, work together with one will, and fully cooperate to gradually solve many problems arising in the development of women, such as training women cadres, eliminating illiteracy, education for girls, the project for re-employing women, improving women's conditions in impoverished areas, and strengthening community services. Throughout society, we must vigorously propagate and advocate the civilized and progressive Marxist views on women, and eliminate all backward concepts of looking down on or discriminating against women.

Society as a whole must do more good and practical work for women, and must create good environment for their development.

The new historical conditions have both provided a good opportunity for and a challenge for the development of women. To be precise, the process of implementing the "program" is one of further rousing the enthusiasm of the broad masses of women and of fully enhancing their status. The broad masses of women must perform meritorious service, start their careers in the main battlefield of economic construction, and make more contributions. They must strengthen their study, improve their own quality, and enhance their capability to serve the people so as to meet the demands of further promoting reform and opening up, and of establishing a socialist market economy system. They also must protect their own rights in accordance with the law so as to ensure their equal participation in development. Chinese women account for one-fifth the total population of women in the world. Doing a good job for Chinese women concerns not only the prosperity of the Chinese nation and socialist modernization, but also contributes to promoting the progress and development of mankind.

We are shouldering a heavy task with a goal in front of us. The positive efforts made by socialist China to support women in fully participating in development, to promote the equality of men and women, and so on definitely will add a magnificent chapter to the history of the development of mankind.

Official's Work With Rural Females Reviewed

OW1508080395 Beijing XINHUA in English
0707 GMT 15 Aug 95

[Feature: Woman Deputy Mayor Helps Change Her Rural Sisters"]

[FBIS Transcribed Text] Shenyang, August 15 (XINHUA) — Wang Xiujie, 42, never expected that she would virtually change the lives of thousands of rural women.

As deputy mayor of Panjin City, in northeast China's Liaoning Province, Wang is to make a speech at the Non-Governmental Organizations (NGO) forum during the forthcoming Fourth United Nations World Conference on Women in Beijing in September this year, telling the world how she has carried out her mission to help rural Chinese women.

"Without the improvement of farmers' educational level, there can be no agricultural modernization for China," she said. "And for the same reason, without the consistent improvement of women's social status, attempts to

achieve rural civilization in China would remain empty talk."

Wang's city has a total population of 1.1 million, including 520,000 women. A survey conducted in 1985, when she was assistant to the mayor, showed that there were at least 110,000 illiterate or semi-illiterate people in the city, about 70 percent of them were women living in the countryside.

"Poverty is always connected with ignorance and backwardness," said Wang, who is in charge of Shenyang's education, public health and women's affairs. "I think that rural women must first shake off ignorance if they wish to pull themselves out of poverty. They must be educated with scientific knowledge and culture."

Wang, a once middle school teacher, is only one of the 300-or-so women mayors or deputy mayors in China. But she is one of the most successful in organizing training courses for rural women, and in helping them achieve prosperity.

During the past decade she has arranged a series of training programs for rural women, helping them eliminate illiteracy, teaching them up-to-date skills for raising chickens, planting vegetables, fruits and new species of grain, and weaving reed mats.

Women farmers like Song Zhiqin of Chengjiao Township in suburban Dawa County, are the most successful examples of Wang's program.

Song took the lead to grow a new species of rice after she learned to read and write in 1993. As a result, she reaped an extra 3,000 kg of rice per ha [hectares], compared with other farmers. The next year even men who used to look down upon women began to learn from her.

At least 123,000 rural women have received some kind of skill training in the city, and more than 4,800 of them have taken courses at secondary technical schools, agricultural radio and television schools or received other forms of secondary education. And 110,000 rural women have learned more than two kinds of skills.

Those skillful women have become the bellwethers in helping rural farmers achieve prosperity. A number of villages specializing in producing goods ranging from chickens to crabs, fruits and grain have emerged in the rural areas of the city.

The courses have also helped women improve their status in the family. In China a rural woman is traditionally supposed to spend most of her time on housework such as cooking, washing and child care. But when they start to earn more than their husbands do, they have more freedom and say in the family.

Li Ping, a woman farmer in Sitaizi Village, for instance, said that she is now admired by her family members, including her husband, since she made a fortune by growing a new species of watermelon, cultivating fruit trees and raising river crabs.

The deputy mayor said that after women improve their educational levels their attitudes change in many respects. Women who once thought that the more sons they had the richer and more secure they would be have begun to refuse to have a second child, even if they are allowed to do so.

"The most effective way to improve rural Chinese women's status," she said, "is to teach them culture and knowledge, and skills that will help them shake off poverty," Wang said.

Job Network Assists Returning Overseas Students

*OW1208142295 Beijing XINHUA in English
1345 GMT 12 Aug 95*

[FBIS Transcribed Text] Beijing, August 12 (XINHUA) — A network covering major Chinese provinces, cities and foreign countries has provided information to Chinese organizations and overseas Chinese students to help them find their employees or employers.

The network sponsored by the China Returned Students Service Center (CRSSC), founded in 1989, has helped more than 1,600 returned Chinese students find their Chinese employers by the end of July this year.

More than 50 provinces, cities, ministries, colleges and universities, research institutions and big companies joined the network. Over 20 Chinese embassies in foreign countries were using the system.

CRSSC also published nine issues of information to keep both domestic employers and overseas Chinese students well informed. The publication, issued to nearly 50 foreign countries and regions, included nearly 50,000 pieces of information about more than 800 Chinese employers and overseas Chinese students.

CRSSC was set up at requests of returned Chinese students and with the support of the State Education Commission.

The center also helped solved some problems facing some overseas Chinese students when they decided to return home for work, such as looking for jobs for their spouses, checking their research fund and allocating funds.

CRSSC provides information and helps contacting partners for cooperation with overseas Chinese students in developing new technology and products, introducing

foreign technology and funds. The center set up a new department in charge of overseas Chinese students' investment affairs at the beginning of the year.

Religious Believers Urged To Uphold Peace

OW1408135595 Beijing XINHUA in English
1347 GMT 14 Aug 95

[FBIS Transcribed Text] Beijing, August 14 (XINHUA)

— Zhao Puchu, chairman of the China Peace Committee, today urged all religious believers to join hands to uphold the peace of mankind.

Zhao, also vice-chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), released a bulletin on peace on behalf of China's religious circles at a seminar here this morning marking the 50th anniversary of the victory in the war of resistance against fascism and the victory in China's war of resistance against Japanese Aggression.

He said that the war, which was launched by the German, Italian and Japanese fascists across the world 50 years ago, was an unheard-of calamity for mankind. The fascists turned the world into a "living hell", he said.

Today, 50 years later, the world is faced with the threat of nuclear and other devastating weapons.

"If a new world war breaks out, human life and civilization will be destroyed," Zhao said, "Therefore, the tragedy of the world war should never be repeated."

He called on people attending the seminar to pray for those who dedicated their lives to the War of Resistance Against Japan (1937- 1945).

According to Zhao, the common feature and essential spirit of all true religious doctrines is peace — the calm and the peace of the inner world and the outer world.

"To uphold world peace is the sacred duty of religious believers, who account for more than two-thirds of the world's population and are an important force for peace," Zhao said.

Zhao noted that China's religious believers will adopt the following measures to ally themselves with religious believers in other parts of the world to maintain the peace of mankind:

- Organize prayers for peace during the period August 14 to 20, which, starting this year, will be designated as the Week for World Peace;
- Propagate the religious doctrine of peace;
- Participate in activities to defend world peace;

— Support the Chinese government's foreign policy of peace; and

— Carry on the spirit of patriotism as well as religion and peace loving to revitalize the country.

*Article Defends Shanghai Citizens' Character

95CM0359A Shanghai SHEHUI [SOCIETY]
in Chinese Jun 95 No 125, , pp 31-32

[Article by Gui Yong (2710 0516); editor Lao Qin (0525 0530): "The Character of Shanghai People and Modernity"]

[FBIS Translated Excerpt] Shanghai is China's largest and most developed industrial and commercial city. However, in the eyes of outsiders, Shanghai has an urban personality incompatible with this position. Shanghai people's psychological character and personal conduct are often disparaged by outsiders. There is a long string of derogatory terms that can be used to describe the impression Shanghai people have in the eyes of outsiders: shrewd, calculating, slippery, fashionable, unconventional, faint collective concepts, shady business people, self-centered, indifferent, having the gift of gab, shifty, and so forth. No matter what the particular meaning of these terms, they generally tend to express disdain for the Shanghai people.

Indeed, Shanghai people have these characteristics. However, if we only set aside our disdainful feelings and seriously deliberate, it is not difficult for us to discover that these characteristics of Shanghai people actually are a reflection of a modern spirit. They represent people's modern psychological tendency. If we consider them from another perspective, we can translate these negative appraisals into praise of the character of Shanghai people.

Terms like "shrewd and calculating" appear to reflect Shanghai people's slipperiness and love of bargains. Yet, from another perspective, are shrewd and calculating something bad? Meticulously considering everything before hand, weighing gains and losses and determining if it will achieve one's goals, and thereby selecting the optimum means: are these not precisely the individual qualities that modern society demands? Moreover, shrewd and calculating also are the basis of the market economy, because the aim of the market economy is to achieve the optimum distribution of resources and get the greatest profit for the smallest price through the market. This principle of efficiency calls for members of society with a shrewd mind and uses rather scholarly terminology to say briefly that shrewd and calculating actually is an ability to calculate rationally. In a modern society, besides ensuring such aspects as systems, organization, technology, and resources, having

members of society with the ability to calculate rationally is also an indispensable condition.

Using the term "the gift of gab" to describe Shanghai people seems to suggest the meaning of "having a glib tongue." Shanghai people really do have the gift of gab and a few Shanghai people really are "glib." However, having the gift of gab is by no means a bad thing. Language is an important condition that distinguishes humankind from the animal kingdom. Only when people can use language to make contact can society's normal operation be maintained. Language is an indispensable medium for exchanging thoughts and transmitting information. On the one hand, the inconceivable increase in the amount of information in modern society demands that people have even more linguistic exchanges and even more have the gift of gab. On the other hand, living in a modern city causes everyone to come in contact with a large number of complete strangers everyday. Everyone must achieve rapid and accurate links with these strangers as much as possible. This makes the gift of gab a characteristic that individuals must be equipped with. Certainly, because in traditional societies there is no need for very strong abilities at interpersonal contacts, having the gift of gab appears to be a dishonest and unreliable external sign. But if we want to survive in a modern urban environment, effective linguistic linkups and effective "speech" are indispensable.

Another point that outsiders cannot understand is Shanghai people's "pettiness" and "shiftiness"—You and I are clearly distinguished. No one gets a break from anyone else. Yang Dongping [2799 2639 1627] in his *Urban Monsoons—Beijing and Shanghai Cultural Consciousness* brings up this example. A young woman from Shanghai took part in an outing with a group of Beijing youth. Afterwards, she paid the exact amount of money for the bread, soda, popsicles, and other things that she had consumed, making her Beijing girlfriend greatly annoyed, because this "economic consciousness" of Shanghai people was precisely the "shiftiness" that Beijing people ridicule. In this little story, it appears on the surface that the "economic consciousness" of the young woman from Shanghai created an awkward situation in the young people's association. However, at a deeper level, we can detect this activity as precisely a reflection of an independent individual consciousness. The necessity to draw a clear line between oneself and the other person and as much as possible not get involved in excessive entanglement of interests, is a guarantee of the prerequisite mutual respect and mutual independence between people. Actually Shanghai people do not absolutely clearly distinguish between themselves and others. In rather close personal relations, the mark of

shiftiness often cannot be found. Truly paying attention to maintaining individual independence and respecting one another is produced from the highly complicated nature of urban living and the superficiality of people's associations. It can be said that modern urban living molds the Shanghai people's "pettiness" and "shiftiness."

Such characteristics as lack of reticence, vanity, being concerned about saving face, selfishness, and indifference are Shanghai people's greatest weak points. Vanity and the concept of face signify excessive concern about the surface impression that one leaves with other people. This excessive concern comes from this fact: modern society is a "society of impressions." The huge scale of the city makes it difficult for people to clearly understand one another's actual situation. An individual's judgment of another person generally is determined by the other person's surface image. To improve one's position in other people's eyes, everyone correspondingly pays greater attention to face and vanity.

Pursuit of self-interest and indifference toward other people's business are common failings of modern urban people. Not only are Shanghai people like that, residents of other large cities are also like that. It is just because Shanghai is the earliest city to develop and the largest city in China, and Shanghai people manifest it more strikingly. If you want to know, in more modern large Western cities, a tendency toward selfishness and indifference even constitutes a serious social problem. In another respect, this barrier between people also has a certain positive value. It recognizes that everyone is pursuing his interests and respects the individual's privacy and independence and causes people to maintain an appropriate distance to avoid being drawn into unnecessary entanglements. [passage omitted]

*Article Views Sale of Fake Diplomas

95CM0359B Shanghai SHEHUI [SOCIETY]
in Chinese Jun 95 No 125, , pp 13-15

[Article by Xu Shiguo (6079 0013 0948); editor He Yulin (0149 3768 7792): "Fake Diplomas—How Much Do They Know?"]

[FBIS Translated Excerpt] [Passage omitted] Forged diplomas are emerging in an endless stream and they look genuine. Such things as fake school records in personal files are such a common occurrence that it greatly lowers the credibility of diplomas in people's minds and seriously interferes with the normal operation of China's personnel system. [passage omitted]

Correspondence school is an important form of Chinese adult education whose merits cannot go unrecognized. However, currently correspondence schools are innumerable and of every description and it is difficult to

distinguish the true from the false. If you want to pay your money, you can obtain a diploma as easy as snapping your fingers.

According to regulations, all correspondence schools recognized by the State Education Commission must have a unified test and a minimum control line should be achieved. However in order to expand their source of students and earn tuition, some schools repeatedly lower the enrollment line to the point that one need only participate in the test and he can enroll. This results in some people who are too lacking in a foundation or who have only an elementary-level education suddenly becoming "college students." Some examinees even confuse one thing with another when filling out the voluntary form and end up enrolled in Chinese. The basic level of student quality is not guarantees. Where does the quality of teaching come from?

Quite a few correspondence schools run a school in name, but actually earn money. Tuition doubles from year to year, and they tell you that if you want to advance, you cannot, and if you want to stop, it is not permitted. Some students pay 350 yuan in school fees (including a 120-yuan materials fee) the first term and, as a result, receive seven pieces of college education materials that can be bought at a Xinhua bookstore, and a review outline. What is more, after a student at a certain Hebei correspondence school sent in his tuition, he heard nothing at all. Six months later he finally received a certificate of completion. He did not study, yet he was able to obtain proof of study. Isn't that a monstrous absurdity? In addition, some nominal schools compile their own teaching materials, but actually the teaching materials are pieced together. The lay-out is confusing and the wording is inconsistent, causing the students to be at a loss what to do. Let us not mention for the moment that the paper is crude and that printing mistakes have created jokes to an intolerable degree. It is recorded that a certain review outline printed Cao Xueqin's *Hong Lou Meng* as *Cao Xuecao's [2580 7185 5430] Hong Lou Meng*, causing quite a few students when they answered the question to copy as before. Is conducting a correspondence school like this training talent or bequeathing a disaster on society?

Incorrect test grades grieve people even more. It can be said that a number of correspondence schools have not established or have not perfected a strict testing system. Tests do no more than go through the motions, a "formality." Some send the test papers directly to the student's home. Most of the test answers are ready-made from the book. Even if the questions are essay questions that cannot be lifted [from books], people can be found to take the test. Although some are unified tests, the content of test questions have essentially been leaked

without fail by the teachers. In the examination room, test monitors turn a blind eye and such phenomena as smuggled notes, substitute examinees, and transferring notes can be found everywhere.

There is a doggerel that portrays current correspondence schools, "The students are too wretched, the tuition is especially high, the teaching materials are indiscriminately copied, and tests are leisurely." No wonder some graduates of correspondence colleges study Chinese but do not know how to write summaries; study mathematics but cannot tutor junior high school children; study business management, but do not understand the legal procedures of signing a contract; and why there are finance majors who are at their wits end when calculating. —Correspondence schools cook up one batch of this kind of "college students" after another. Except for seeking money, increasing the state's financial burden, and allowing the mediocre to occupy jobs, how much real meaning does it have? [passage omitted]

Some organizational units seeking a way to "get rich" hang up a sign, open a school, and extensively recruit students. First, they can raise their unit's scholastic record to reach standards; second, they can earn money; third, they do not have to worry about campus and dormitories. The official documents go out and the students swarm in. Even though most of the scholastic records are not approved by the state, as long the unit or the department recognizes the scholastic record, the students after all have no concern about future trouble. The use of administrative means to run a technical college class has thus suddenly heated up. It has been reported that a district of Tongren City, Guizhou with a population of less than 100,000 originally was only able to support a teachers' college, an electrical college, and a party school. After the fall of 1994, the number of units that run schools that directly offer classes from which technical college diplomas can be received reached 11. Some units that run schools were formerly secondary technical schools elevated to technical colleges and technical colleges elevated to regular colleges. Trying to overtake one another, how exciting. In some remote counties and cities of Sichuan, in addition to the party school and teacher refresher school run technical college classes, there are three units that hooked up with such institutions as the electrical college and the agricultural college to open "branch schools." After two year they issued vocational graduation certificates. Despite the fact that miscellaneous school fees for one year came to more than 1,300 yuan, enrollees still came scrambling in. The two sides had a tacit understanding. This is a very worthwhile "deal."

Authorized schools open wide a convenient door for batch after batch of what pass as people with diplomas. Quite a few "training centers," "branch schools," and "places of instruction" pull in a few people, raise a banner, and are perfectly justified in opening their doors and running a school. Their teaching qualifications are inadequate and unstable, their equipment is simple and crude, and their financial accounts are chaotic. To get subsidies, some of the unit's workers without the slightest teaching experience ascend the podium. Party school teachers of a certain county in Sichuan just obtained their technical college diplomas by correspondence a few years ago. Now they study regular college courses themselves and teach students who are getting a regular college diploma. Imagine how much "value" this kind of diploma can have?

Like correspondence schools, authorized schools have quite a few problems in teacher qualifications, teaching materials, and test marks. Especially if testing is not strict and diplomas are issued indiscriminately, it will inevitably lead to substandard people with diplomas occupying jobs. In addition, it also impacts on the ordinary higher education student recruitment system. If a person figures the costs, it would cost at least 4,000 yuan or more to study three years of ordinary higher education and get a technical college diploma. However, if one works while getting a diploma, a person has both seniority and wages and can write off the tuition. No wonder a number of those who have the opportunity to adopt this "circuitous way of going to school" do not have the slightest interest in ordinary higher education. [passage omitted]

With the good and bad that are carried in on the high tide of the market economy, a number of people are forced to break the law and depend on peddling diplomas to seek windfall profits. Even a junior high diploma that formerly was not essential in most people's eyes is now very much in demand. Now to join the army or get a job one must have at least a junior high diploma. Going out to engage in work, having a diploma is nothing less than a "protective talisman." Thus, some schools leave an opening to sell diplomas as commodities with the price clearly marked, totally open, so that a group of unqualified middle school students can openly and legally receive diplomas. Even young people in society who have not studied at the school at all can get a diploma. This reporter has heard about this type of incident. There was a junior high student who was ordered to leave school. Before he went, he brazenly said, "I did not intend to study at this at this school before. Anyway, my family bought me a high school diploma."

In some places in Hunan, peddling fake diplomas is particularly rampant and startling. In some cities a 100-meter long street has more than 20 stands specializing in this business. The peddlers display and sell fake diplomas from junior high schools, senior high schools, and universities with the seal, the school stamp, and the principal's private stamp on them, everything that one would expect to find. The purchaser need only hand over varying amounts of cash from 150 to 500 yuan and a photograph and he can become a graduate of any middle school or university in the country. Counterfeit diplomas look very real.

A trade union cadre at a certain Yunnan institute who had a reputation as China's "king of blood donations" and had donated blood without compensation many times, in the tide of the commodity economy began to "change his mind" and felt deeply that in the past he had been too "stupid" and decided to get back his "losses." Relying on the halo on his head, he unscrupulously forged and sold higher education diplomas, succeeding time after time, and ended up taking the criminal path.

The cost of making a diploma is no more than two or three yuan, but after the sale, in the twinkling of an eye, one can make hundreds or thousands of yuan. Such a high "profit" attracts several lawless elements like flies to stink. Along the coast, some regions with rather developed printing industries have quite a few underground printing plants wantonly printing diplomas. With excellent equipment the fake diplomas that are reproduced are exactly the same as the real diplomas, and local protectionism also multiplies the difficulty of investigating and prosecuting. [passage omitted]

Science & Technology

Shandong Governor Views Science, Technology

SK1208021495 Jinan DAZHONG RIBAO in Chinese
6 Jul 95 pp 1, 3

[Speech by Li Chunting, governor of the province, at the provincial scientific and technological congress held in Jinan on 29 June]

[FBIS Translated Text] Fellow comrades:

The current provincial scientific and technological congress is an important one that has a bearing on the province's overall situation of economic and social development. This congress will mobilize the whole province to comprehensively implement Comrade Deng Xiaoping's idea that science and technology constitutes the primary productive force and to profoundly implement the "CPC Central Committee and the State Council decision on accelerating scientific and technological progress" as well as the guidelines of the National

Scientific and Technological Congress. This congress will also promote the implementation of the strategy on invigorating Shandong through science and education; help make economic construction built on the scientific and technological progress and the improvement of the quality of laborers; and lay a solid foundation for attaining the strategic goal to achieve modernization in "three steps." This morning, Comrade Zhihao made an important speech, in which he profoundly expounded the great significance of implementing the strategy on invigorating the country through science and education and made an all-round arrangement for the province's scientific and technological work in the foreseeable future. His speech is of great guiding significance in expediting the province's scientific and technological progress as well as economic and social development. Therefore, all localities and departments must conscientiously carry out his speech.

The CPC Central Committee and the State Council decision on accelerating the scientific and technological progress is an extremely correct strategic policy decision adopted in an extremely timely manner. Because peace and development is the main trend in the present world, the competition for comprehensive national strength, with economic strength as the foundation, has become increasingly sharp. Due to the vigorous rise of new technology revolution, scientific and technological progress has already become the major force in promoting economic growth, and the competition for economic strength is in essence the competition for a higher scientific and technological level. Whoever achieves a leading level in scientific and technological development will occupy a superior position in economic development. To join the ranks of strong countries in the world, China must firmly and unswervingly carry out the strategy to invigorate the country through science and education and first catch up with and surpass the world's advanced level in developing science and technology. As a major coastal economic province of China, Shandong should consolidate and develop the excellent situation characterized by sustained, rapid, and sound economic development; ensure the realization of the strategic goal on achieving modernization in three steps; and basically achieve modernization by 2010. To this end, Shandong must regard the efforts to promote the scientific and technological progress as the strategic task to invigorate Shandong. Hereafter, I will again stress some issues in line with the opinions of the provincial party committee and the provincial government.

I. We Should Persistently Invigorate Agriculture Through Science and Technology To Shift

Traditional Agriculture to High-Output, High-Quality, and High-Efficiency Agriculture

Reviewing the province's agricultural and rural economic development, we may summarize the basic experiences as follows: Depend on policies first, science and technology second, and investment third. Since the convocation of the third plenary session of the 11th CPC Central Committee, the province has universally adopted new production, cultivation, and management technologies by renewing crop varieties on three occasions, resulting in the rapid and violent development of agriculture and rural economy. Last year, the province's total grain output totalled 40.9 billion kg; the added value of the primary industry totalled 77.5 billion yuan, up 139 percent compared to that in 1980; and the per capita net income of peasants reached 1,320 yuan, up 528 percent compared to that in 1980, making Shandong a big agricultural province. However, Shandong is not a strong agricultural province as yet. The province ranks sixth in the country in terms of the per capita added value of the primary industry and 10th in terms of peasants' per capita net income. In addition, our agriculture's ability to prop up the entire national economy remains unstable. The province still faces some restrictions, such as a large population, decreasing land resources, and heavy pressure to ensure self-sufficiency in grain, cotton, edible oils, and vegetables. Comrade Deng Xiaoping pointed out: "Agricultural problems should eventually be tackled by science." We must persist in the guiding ideology of gearing science and technology to agriculture and making agriculture depend on science and technology. In addition, we must closely depend on the scientific and technological progress to resolve agricultural problems; promote the sustained, steady, and coordinated development of agriculture; and to realize the leap from being a big agricultural province to being a strong agricultural province.

We should tackle difficult scientific and technical research problems in the agricultural sector and strengthen the momentum of agricultural development. The provincial party committee and government have demanded that during the next few years Shandong's per-unit area yield of grain must be enhanced by an average of more than 10 percent. Also, efforts must be made to guarantee that total output will increase by 5 billion kg by the year 2000. To realize this objective, we urgently need improved strains and this should be regarded as the priority of the agricultural scientific and technological research work in the near future. It is necessary to adopt measures to persist in technological progress, strengthen specialized management, give good administrative guidance, and strictly enforce the law to safeguard this work. We should strive to select and cultivate

a great number of new varieties of major farm products, animal products, aquatic products, and fruits and vegetables that are high quality and have high efficiency within a short time, and we should study the supporting cultivation technology in an effort to greatly increase output and improve quality. The provincial government has decided to take 20 million yuan from the newly increased portion of the agriculture-oriented funds for special use in cultivating and spreading improved strains of grain, cotton, livestock, and poultry, and for conducting centralized research operations in an effort to achieve new breakthroughs as quickly as possible. In the future, we will continue increasing investment in this aspect. All cities, prefectures, and counties should also rapidly shift the emphasis of developing agriculture science and technology to this aspect. In order to accelerate the updating and upgrading of fine strains, all levels should strengthen the study of agricultural advanced and new technology early; realistically grasp the development of biological technology with the cultivation of high-yield and fine quality improved strains as the priority; and keep a batch of advanced and new technological achievements that play an important role in the long-term development of the province's agricultural development. At the same time, we should accelerate the introduction of foreign agricultural scientific and technological achievements. During recent years, our province has achieved gratifying results in introducing improved varieties of fruits, vegetables, livestock, aquatic products and advanced cultivation technology. This has enabled the quantity, quality, and grade of agricultural products to be greatly enhanced within a short period, and decreased our gap with the world's advanced level. This is a shortcut by which we can get twice the results with half the effort, and we must grasp it continuously.

We should strengthen the dissemination of agricultural scientific and technological achievements and vigorously spread practical new agricultural technology. During recent years, our province has made a great number of achievements in agricultural scientific research which we must vigorously popularize and give play to. First, we should continue to conscientiously implement the "agricultural science and technology dissemination law," attend to the building of agricultural science and technology dissemination system, and form an agricultural science and technology dissemination network that links the higher and lower levels and renders perfect service. County and township agricultural science dissemination organs should fix the size of their staff, stabilize their contingents, and properly solve the problem of working funds. Villages, if conditions permit, should also establish comprehensive agricultural science and technology service organizations and install technical personnel. Second, we should attend to building

a new mechanism that combines science and technology with agriculture and broadening the path of disseminating scientific and technological achievements. It is necessary to encourage agricultural science research units and research personnel to take the lead in running all sorts of service entities, contracting technical projects, and offering paid service. Active efforts should be made to organize colleges and universities as well as scientific research units and technical personnel to offer scientific and technical service to the rural areas. Third, we should attend to building agricultural demonstration zones. At present, the province as a whole has established 27 high-yield, fine-quality, and high-efficient agricultural demonstration zones, 10 agricultural advanced- and new-tech development zones, and seven export-oriented agricultural development demonstration zones. These three kinds of zones will be the models for pushing the whole province's agriculture to a new stage. Relevant cities and prefectures should strengthen leadership, carefully organize this work, accelerate the pace of development, and at the same time, conscientiously sum up experiences and promptly spread them to the whole province.

We should strengthen the development of agriculture science and technology and enhance the agricultural comprehensive production capacity. At present, our province has more than 40 million mu of middle- and low-yield fields, and the per-mu yield of grain is lower than the average level by more than 150 kg. If we make these middle- and low-yield fields attain the province's present average production level through the development of science and technology, we may increase grain output by more than 6 billion kg. Shandong's multiple crop index has reached 159 percent, which is 10 percentage points higher than 10 years ago and is equivalent to an increase of 10 million mu of arable land. If we continue to expand technical measures and strive to increase the multiple crop index to 170 percent, which is equivalent to increasing the arable land area by another 10 million mu, the contest developed between grains and other crops for more farmland will be diminished, and both grain output and peasants' income will be increased. This shows that there is still great potential for the farming industry. Likewise, there is tremendous potential for developing livestock farming and aquaculture. We should make the best of the state's relevant policies encouraging agricultural development, add impetus to developing agricultural science and technology, and bring about coordinated development in farming, forestry, animal husbandry, byproducts, and fisheries.

We should rely on science and technology to improve the quality and level of township enterprises. As Shan-

dong's township enterprises are in an important stage, when changing their extensive management into intensive management, the emphasis should be on consolidating their foundation and enhancing and improving their capacity in line with the guiding principle of achieving improvement in the course of development and achieving development in the course of improvement. 1) We should increase efforts in technical transformation and strive to upgrade all backbone enterprises through the technical transformation in three to five years. 2) Advanced- and new-tech products should be developed, and a number of advanced- and new-tech leading enterprises that can play a greater promoting role should be nurtured, so that we can improve the level of technology, value-added products, and the overall quality of the enterprises can be improved. 3) The "spark plan" should be continued. By building the zones where spark plan projects are concentrated, we should guide township enterprises onto the path of relying on scientific and technological advance to achieve self-development, expedite the transfer of rural work forces, and facilitate rural industrialization and the construction of small cities and towns.

II. We Should Rely on Scientific and Technological Advances To Upgrade the Quality and Efficiency of Industrial Growth

When total supply and demand were rather small and commodity supplies were rather insufficient, the larger quantity was the people's major demand for industrial products. There were objective reasons for us to emphasize the increase in quantity while developing industrial production at that time. Now that our total supply and demand have expanded to a fairly large scale, people's demand for industrial products rests more on variety and quality. In compliance with the changes in social demand and the nature of the modern industrial economy, we should actively devise new strategies and countermeasures, rely on scientific and technological advances, effect changes from extensive to intensive management, and expedite the transformation from the increase in quantity to improvements in quality in emphasizing the growth of the industrial economy. In work guidance, we should persistently take the market demand as a guide; focus on efficiency; prioritize the production of the products that can fill domestic gaps; and give prominence to economies of scale, to advanced and new technology, and to earning foreign exchange through exports. We should muster advantages and closely coordinate technological development, technical transformation, production, and management.

Efforts should be intensified to cultivate our own leading industries and leading products. During the Ninth

Five-Year Plan, we should accelerate the research and development of new products, new measures, new materials, new technology, and new equipment, with the focus on crucial issues concerning the development of key industries such as energy, metallurgical, machinery, chemical, electronics, textiles, and the light industries and building materials, so that they will truly become the backbone of Shandong's economic development. We should lose no time in developing brand-name products; organizing forces to tackle major scientific research difficulties in order to cultivate and develop some highly competitive products; and developing as soon as possible a number of products that reflect Shandong's level and characteristics and that are famous and competitive in the domestic and foreign markets. In this way, we can help shape key industries and the rise of backbone enterprises. In the process of doing this work, the province, as well as cities, prefectures, and counties should unify their plans and give prominence to their characteristics when deciding their own key industries and brand-name products. They should emphasize quality instead of quantity, concentrate their investment on these industries and products, and strive to accomplish several major projects each year. If we persist in doing so for several years, substantial results will be achieved.

We should accelerate the technological transformation of existing enterprises. In 1993, the provincial party committee and government decided to devote three to five years to transforming all state-owned large and medium-sized enterprises once. We do not have much time left. All levels should act in line with this demand, conscientiously check and verify the situation of implementing this decision, formulate effective measures in the light of the existing problems, and strive to fulfill it on schedule. In the course of our work, we should pay attention to the technological level and content of the technological transformation items, regard the enhancement of input-output rates as an important target, use advanced and new technology to transform traditional industries, and accelerate the conversion from labor- and capital-intensive industries to technology-intensive industry. While vigorously introducing advanced technological installations, it is necessary to regard using electronic computer technology to transform old facilities as a tough battle. The practices of many enterprises show that if computers are added to old equipment, it is still possible to produce high-level products. At present, we should regard the energy- and water-saving and pollution control technologies as priorities, organize efforts to do joint research, and strive to achieve major breakthroughs in the near future. In short, we should seize the opportunity, beef up technological transformation efforts, accelerate the pace, enable the province's level of

industrial products, technology and equipment to jump to a new height, and shift the production of enterprises to a new technical basis.

We should realistically make enterprises become the main investors in science and technology. This is one of the major viewpoints proposed by Premier Li Peng at the national scientific and technological conference. In the course of implementation, we should study specific policies in line with the actual situation, encourage and induce enterprises to speed up their pace in integrating with scientific research units, and realistically increase the input in technological research and development. The general demand is to mainly rely on funds raised by enterprises and to vigorously and prudently introduce foreign capital, supplemented by financial allocations and funds from banks, broaden channels and raise funds from various sectors. Large and medium-sized industrial enterprises should be willing to spend funds on strengthening the scientific research force, develop their own scientific research development organs, do a good job in combining the efforts of "scientific research institutes with colleges and industrial enterprises," strengthen association and technical cooperation with colleges and scientific research organs, and form their own technological development main force. This is a matter affecting the success or failure of enterprises and we must exert strenuous efforts to grasp it well. In input, the provincial authorities have determined that ordinary enterprises should set aside 1 percent of their sales income for this purpose. Scientifically and technically advanced enterprises and advanced and new-tech enterprises should set aside not less than 3 percent of their sales income to serve as technological development funds, and should guarantee its implementation.

We should realize the combination of scale management with science and technology. To link with the world market, enterprises should have their own up-to-standard products and scale advantages. Only then can they combat the storms and have a firm footing when competing in the domestic and international markets. In the course of developing the socialist market economy, thanks to the role played by the law of value, a great number of enterprises and scientific research units have been unceasingly developed and expanded. However, some enterprises and scientific research units have declared bankruptcy or closed down owing to their ineffective management. We would not like to see these things happen, but at the same time, they have provided a good opportunity for developing and expanding good enterprises as well as scientific research units. Leaders at all levels should judge the hour and size up the situation, persist in taking assets as the links, induce enterprises to accelerate the pace of mergers and

associations, actively organize and establish industry-science-foreign trade integrated large enterprise groups with advanced technology and up-to-standard products, and develop our province's "aircraft carriers" and "combined fleets."

III. We Should Depend on Scientific and Technological Progress To Accelerate the Implementation of the Two Trans-Centurial Projects — Building "Shandong on the Sea" and Developing the Huang He Delta

The marine industry is a science- and technology-intensive industry. The Huang He Delta has the advantage of possessing abundant petroleum, marine, and land resources. To transform this advantage into an economic one, we must depend on scientific and technological progress. We should follow the new road of intensive development to make the two trans-centurial projects become demonstration projects in which advanced and new technology industries are concentrated, the content of technology is advanced, and science and technology is closely combined with the economy.

We should fully exploit the province's strong power in marine science and technology to accelerate the exploitation and utilization of marine resources. In exploiting marine resources, we should persistently invigorate the traditional marine industry and develop the rising marine industry, with marine science and technology as guidance, in an effort to initially establish by 2010 a marine industrial system in which the traditional marine industry and the rising marine industry coordinate and promote each other. We should fully exploit and utilize the province's natural resources in marine biology, salt chemical industry, marine oil gas, port transport, coastal tourism, and sea beaches to gradually build up five major marine industrial groups, namely, the breeding of marine products, marine food and medicine, port transport, salt chemical industry, and oil gas chemical industry. The research and development of marine science should be conducted primarily in four major spheres — marine biology and biological technology, marine chemistry and chemical industrial technology, marine energy and utilization technology, and oceanography and applied technology. During the Ninth Five-Year Plan, the emphasis should be on breeding good varieties of marine products, preventing and curing diseases and pests, high-output breeding technology, harbor construction, environmental protection, and comprehensive utilization of marine resources. By industrializing the research achievements in marine science and technology, we should complete the building of some enterprise groups, with the marine industry as the predominance, and the building of several demonstration enterprises

and bases for invigorating marine industry through science and technology by the end of this century and should use these groups, enterprises, and bases to bring along the development of the rising marine industry.

In developing the Huang He Delta over the past several years, scientific and technological progress has played a major role. From now on, we should define the guiding ideology of promoting economic development with scientific and technological progress and should further increase the speed and efficiency of development. The tasks of developing natural resources and protecting the Huang He Delta's environment have already been listed as priority projects in "China's Agenda for the 21st Century." We should actually organize and implement them well. We should persist in the organic combination of scientific and technological development and natural resources development. The research and development of science and technology should be conducted closely around the construction of agriculture, animal husbandry, and fishery base, petrochemical industrial base, and salt chemical industrial base. To develop and utilize the 6 million mu of wasteland in the Huang He Delta as fast as possible, we should emphatically research crop varieties that can be planted in coastal waste and alkaline land and research comprehensive management methods. We should accelerate the improvement of animal and poultry strains and make full use of the abundant forage resources. We should organize joint research programs to tackle key problems with regard to the low development level of aquatic products. We should make great efforts to develop high-value perches, soft-shelled turtles, river crabs, and fine clams so that we can push the development of aquatic products to a new height. We should fully utilize the abundant resources of crude oil and salt to accelerate the construction of petrochemical industrial and salt chemical industrial projects. Through the all-round development, we should build the Huang He Delta into a belt in which new industries concentrate and which is furnished with advanced technological level.

IV. We Should Vigorously Promote the Scientific and Technological Progress in the Sphere of Social Development and Guide the Sustained and Coordinated Development of Economic and Social Undertakings

Economic and social development are related to and promote each other. The stagnant development of social undertakings will hamper the development of economic undertakings; and failure in economic development will certainly affect social progress. Over the past several years, the province's economy has developed rapidly, but the development in the social sphere has lagged

behind. The phenomena of low management level, confused development of natural resources, a worsening natural environment, and the low quality of population have existed universally. This situation has seriously hampered the further development of the province's economy.

Hereafter, various levels must put social and economic development on an equal position and promote the steady and harmonious development in both society and the economy by relying on scientific and technological progress. We should formulate as soon as possible the "Agenda on Discussing Developments in Shandong in the 21st Century" and scientific policy decisions in order to realize important and great transcency social projects. We should also organize capable forces to carry out an extensive and thoroughgoing investigation and to study factors that will restrict the economic and social development in the next century; to select a large number of projects preferential to development; and to make a breakthrough among the key projects. We should do a good job in carrying out coordination to overcome the technical difficulties among a large number of important and great scientific and technological projects that have comprehensive and crucial characters. Efforts should be made to continuously apply science and technology to guiding social development; to successfully build national and provincial level experimental zones with comprehensive character; to foster typical cases of relying on science and technology to promote social development; and to earnestly summarize the experience gained in typical cases so as to guide the work of social development in the province as a whole. We should realistically enhance the basic work in science and technology while conducting social development; do a good job in building the "golden bridge," "golden card," and "golden customs" projects; establish and perfect the information system; and broaden the capability of information disposal and transmission so as to render services for party committee and governments at all levels in order to make policy decisions in a democratic and scientific manner.

We should further enhance the work of scientific popularization and vigorously upgrade the quality of science and culture in the society as a whole. We should vigorously popularize among the vast number of people scientific knowledge, ideology, and methods by earnestly implementing the "Several Opinions Raised by the CPC Central Committee and the State Council on Enhancing the Work of Scientific and Technological Popularization" and by bringing into play the role of various mass media; the means, facilities, and places of public opinions; and mass scientific popularization organizations. We should also conduct education on dialectical and

historical materialism in order to block feudal and superstitious activities; to apply science to defeating ignorance and poverty; and to promote the construction of socialist spiritual civilization. In particular, attention should be paid to conducting scientific popularization education among juveniles and to helping them foster a correct outlook on life as well as value and achieve overall development and healthy growth.

V. Accelerate the Development of Advanced Science and Technology, and Vigorously Occupy a Commanding Height in Scientific and Technological Competition

Advanced science and technology and advanced-science-and-technology industries represent the commanding height in the competition between the economy and science and technology. Developing advanced science and technology and realizing industrialization represent fundamental ways to improve the province's industrial structure and upgrade on a large scale labor productivity and economic results. In facing intensive market competition without products made from advanced science and technology, it is very difficult for us to gain a foothold either in international or domestic markets. Therefore, we must grasp the development of advanced science and technology by placing the development in a more important position. By 2000, we should strive to have the proportion of output value of products made from advanced and new technologies in society as a whole total more than 15 percent of gross domestic product, and should foster advanced- and new-tech strong points among several key fields. Work arrangements in this regard should be carried out in line with the three tasks of building advanced- and new-tech industrial development zones, of applying advanced and new technologies to conducting technical "grafting" and renovations among the traditional industries, and of fostering the growing points of advanced and new-tech industries.

We should further expand measures to accelerate the construction of 10 advanced and new-tech development zones in the province. These development zones are the bases and models of developing advanced and new industries. We should actively create conditions for attracting both domestic and foreign firms and businessmen in order to open advanced and new-tech enterprises in these zones. We should encourage higher educational institutions and scientific research institutes and centers to transfer their scientific and technological results to these zones or establish advanced and new-tech enterprises in them. We should newly build in line with the key projects a large number of advanced and new-tech enterprises with a stronger capability of self develop-

ment and market competition. In compliance with the requirements for a socialist market economy system, we should have the courage to reform property rights, personnel, distribution, and social security systems within the zones as well as gradually establish an operating mechanism and managerial system that is conducive to developing advanced and new-tech industries. We should have the ability to look for projects, funds, and personnel from the large world market. Our endeavors to develop new products should focus on filling domestic gaps and entering the world market to earn foreign exchange. This way, the development zones will genuinely become the "windows" of our opening up to the outside world.

Great importance should be attached to "transplanting" and renovating traditional industries with advanced and new technology. At present, traditional industries remain the pillars of Shandong's economic development. However, their problems with outdated equipment, single-product production, low efficiency, and poor competitive edges in the market are still very conspicuous and need to be urgently addressed. During the Ninth Five-Year Plan, a large number of large- and medium-sized enterprises of pillar industries—such as the machinery, electronic, chemical, medical, and light industries—should be selected for "transplanting" and renovation with advanced technology so that their technical measures, equipment, and product quality will reach or approach advanced world levels, and so that they will guide and promote the renovation and technological advance of traditional industries in the entire province. We should organize and mobilize scientific and technical personnel in colleges and universities, scientific research units, township enterprises, and non-governmental scientific and technological enterprises to participate in developing advanced and new-tech industries so as to nurture a large number of nodes where advanced and new technology grows.

Genuine advanced and new technology cannot be bought with money. To develop advanced science and technology, we should conscientiously intensify research and tackle the key difficulties of advanced and new technology. We should increase the formulation of Shandong's research programs and plans for advanced and new technology, and prioritize the implementation of major high-tech projects involving new materials, bio-technology, electronics and information, integrated electrical and machinery development, new energy sources, highly efficient and energy-saving materials, and environmental protection, which have an important influence on economic development. We should organize a compact and efficient contingent to tackle key difficulties together and achieve significant

breakthroughs so that there will be good technological reserves for developing advanced and new-tech industries.

VI. We Should Deepen the Reform of the Scientific and Technological System and Facilitate the Organic Combination of Science and Technology With the Economy

Shandong turns out a large number of scientific and technological achievements worthy of application every year, but few are transformed into productive forces and applied to production on a large scale. Those that are disseminated and transformed account for merely 25 percent. From now on, the combination of science and technology with the economy should be regarded as the key link of reform.

The large number of scientific and technical personnel of various specialties in society should be mobilized to plunge themselves into the major battlefield of economic construction. Shandong boasts more than 2.4 million scientific and technical personnel who have made significant contributions to promoting Shandong's economic development and social progress over the past years. However, their current quantity and quality still falls far short of the demand of economic development and is highly incompatible with Shandong's status as a large province in terms of economic development. The potential of the existing contingent of scientific and technical personnel is also far from being developed due to the separation between economic and scientific and technological development. To deepen the reform of the scientific and technological system, the party Central Committee's principle of "holding fast to one end and leaving the entire field open" should be further implemented, and the structural adjustment and diversion of personnel to various fields should be promoted. Judging from Shandong's specific conditions, we should prioritize the effort to "leave the entire field open" when implementing this principle. We should resolutely hold fast to the small quantity of basic research and, at the same time greatly encourage more scientific research institutes and personnel to cooperate with enterprises and enter the market through various channels and various measures. In this aspect, Guangdong, which relies on Hong Kong, and Zhejiang, which relies on Shanghai, have much experience. We should earnestly learn from them. In the future, scientific research institutes engaged in developmental projects should practice the integrated management of technology, industry, and foreign trade as well as the integrated management of technology, agriculture, and foreign trade so that, through various measures, they will embark on the road of business management and become enterprises that

are responsible for their own profits and losses and that achieve development through their own efforts. Specialized scientific research organs and personnel may be completely merged into counterpart enterprise groups or large and medium enterprises. Through amalgamation and the contract and purchase of shares, scientific research organs may become enterprise legal persons. Small scientific research organs may be reorganized through such forms as the implementing of shareholding and leasing systems and managing on a commission basis to become state-owned nongovernmental scientific and technological enterprises.

In the course of converting scientific and technological achievements into practical productive forces, enterprises use a large aspect of developing technologies to make technological designs, form complete sets of equipment, carry out mass production, and organize management and sales. The realization of the conversion objective is finally determined by the behavior of enterprises. Therefore, the key to realizing the integration of science and technology with the economy is to make enterprises become the main bodies of technological development and scientific and technological progress. At present, our province has more than 4,000 plant-run scientific research organs with more than 70,000 workers. More than 50 percent of state-owned large and medium enterprises have established technological development organs. However, this scale and number still fall far short of the demands of economic development. In the future, enterprises, especially state-owned large- and medium-sized enterprises and enterprise groups, should establish their own technological development organs; those which have already established such organs should unceasingly replenish and strengthen them. We should adopt various flexible forms to absorb scientific research organs and technical personnel, strive to establish our own scientific and technological development system, and train our own scientific and technological development contingents.

Nongovernmental scientific and technical contingents are the outcome of reform and a mighty scientific and technical army with vigor and vitality. As of last year, the province as a whole had developed more than 5,000 nongovernmental scientific and technological organs with 140,000 full-time workers; sales totaled 15 billion yuan. With flexible mechanisms, nongovernmental scientific and technological organs can easily serve the choice of items on the market and combine scientific research with development, management, and service, and can effectively promote the conversion of scientific and technological achievements. In the future, we should further study and formulate policies and accelerate the development of scientific and technologi-

cal organs. Competent scientific departments at all levels should strengthen management of nongovernmental scientific and technical contingents, care for them politically, give greater support to their work, and strive to cultivate a number of nongovernmental scientific and technical contingents that know technology and are proficient in operation and management. We should give priority to supporting those nongovernmental scientific and technological enterprises that have a strong development ability and great application of technology and strive to form a batch of large, high-grade, and large nongovernmental scientific and technological enterprises in the province.

We should strengthen the building of an intermediate service system in the course of integrating science and technology with the economy, and should promote the conversion of scientific and technological achievements into practical productive forces. The weak intermediate link is one of the important reasons for the low conversion rate of scientific and technological achievements and the failure in converting lots of scientific and technological achievements into practical productive forces. During the Ninth Five-Year Plan, provincial authorities will arrange special funds and select scientific research institutes, institutions of higher learning, and large- and medium-sized enterprises with favorable conditions to establish a batch of provincial-level key laboratories and intermediate experiment bases, and will enable them to become open scientific and technological achievements conversion bases to serve the economic departments in an effort to enhance the degree of maturity and coordination of the scientific and technological achievements. Meanwhile, in accordance with the actual needs of economic development, we should fully use the existing bases; properly build some engineering technology research centers, productive forces promotion centers, centers to create advanced and new technologies, specialized technology dissemination centers, and other intermediate scientific and technical service organs; promote the pre-phase research and development of the commercialization and industrialization of scientific and technological achievements; and provide mature scientific and technological achievements, project designs, engineering and technological process, personnel training, and other services. During the Ninth Five-Year Plan, the provincial authorities should establish a scientific and technological achievements dissemination fund as well as establish provincial-level special technology dissemination and development centers in major industries such as energy, machinery, chemical industrial, and electronics in order to provide serialized, coordinated, and engineering service for the conversion of scientific and technological achievements, and should gradually

develop them into science-industry-foreign trade integrated industrial bases.

We should cultivate and develop technology markets and put up a bridge organically linking science and technology with the economy. Now, the province has more than 7,000 technological trade organizations with nearly 100,000 employees. These organizations' technological trade volume progressively increases more than 40 percent every year and exceeded 1.6 billion yuan in 1994. More than 3,000 technological findings are transformed by the technology markets annually. However, viewing the overall situation, we know that our province's technology markets are still in the initial stage of development and still have a long way to go to meet the province's demands for scientific and technological and economic development. From now on, we should take the cultivation and development of scientific and technological development as the main measure for rejuvenating the economy with science and technology and elevate the technology markets' overall scale, facility construction, and managerial level to a new height as soon as possible. We should make full and vivid use of the state relevant policies on supporting the development of technology markets; further enliven the mainstay of technology markets; decontrol the essential factors of technology markets; encourage scientific research institutes, institutions of higher learning, various categories of enterprises, and technological and economic cooperation organizations to enter technology markets and to carry out various forms of technological trade activities. Some permanent comprehensive and specialized technology markets should be set up throughout the province in order of priority to act as technological dissemination centers and networks linking province-wide technology trade and to transmit technology commodity information. The localities where conditions permit should be ahead of others to conduct external technological cooperation and exchange, set up technology trade showcases at home and abroad, select mature and necessary supporting technological findings, send them to international markets, and create foreign exchange with science and technology.

We should carry out modernized scientific management. Management is a science, too. To increase economic results, enterprises should have high-tech and value-added products. The key to achieving this is that enterprises should rely on science and technology. However, we must notice that with poor management and without stress on cost, strict economy, and input and output, enterprises will find it difficult to play their functions into play even if they have advanced equipment and modernized technology. Only when we vigorously carry out scientific management will we actually be able to up-

grade the gold content of the industrial technology and finally increase economic results. According to the requirements for setting up the modern enterprise system and promoting scientific and technological progress, we should boldly introduce domestic and foreign advanced management methods and technologies, proceed from our actual conditions to work out and perfect management systems, and also strictly implement them. We should guide and support the scientifically and technologically exemplary, vanguard enterprises in the aspects of setting up the modern enterprise system, making scientific and technological plan, developing products, cultivating talented persons, and conducting technological cooperation and exchange; and have them enjoy the preferential policies governing talented persons, capital, information, and taxes. As of the end of the Ninth Five-Year Plan, large- and medium-sized enterprises should basically popularize computer management technology, computer designing technology, and technological process automatic control techniques; and the enterprises at or above the county level should organize their production according to international standards.

To deepen the reform of the scientific and technological system, we must conduct auxiliary economic reforms. Now, we have entered a key scientific and technological system reform period. Reform and opening up involve some deep-leveled questions. Thus, the form of reform should be developed from single-item reform to overall auxiliary reform. So far, the enterprises in our province do not have sufficiently strong desires for scientific and technological findings. Only when enterprises upgrade their ability in assimilating scientific and technological findings will we be able to better organically link science and technology with the economy. Just as Engels pointed out, once society has a need for technology, this need will be more able to advance science than 10 universities could. Fundamentally speaking, the issue concerning the scientific and technological system is an issue relating to the economic system. Therefore, the reform of the scientific and technological system and that of the economic system should be deepened at the same pace and carried out in a coordinated fashion. Facts also prove that the enterprises with achievements in rapid popularization of technological findings, rich research forces, and powerful development capability, like Haier Group, are also enterprises that produce good results in changing the managerial mechanisms. At the time of promoting the reform of the scientific and technological system, we must accelerate the setup of the modern enterprise system and further promote the combination of science and technology with the economy through changes in the enterprise managerial mechanisms.

VII. We Should Strengthen Overall Management of Scientific and Technological Work and Create Good Conditions for Accelerating the Pace of Scientific and Technological Progress

The party and government organs at various levels must strengthen the leadership over scientific and technological work and comprehensively serve the work in various spheres in a coordinated manner in order to set up a scientific and technological system that meets the needs of the scientific market economy and conforms to the laws governing science and technology and in order to accelerate scientific and technological progress.

Top party and government leaders should grasp primary productive forces, intensify scientific and technological management functions, and pool the concerted efforts of the entire society to accelerate scientific and technological progress. All levels should put scientific and technological work into the key work agenda. Top party and government leaders should concentrate more energy on coordinating guidance of scientific and technological work. The provincial government decides to convene at least two work conferences of governors and vice governors in a year to study and solve the key problems emerging in the course of scientific and technological development, to strengthen the provincial scientific and technological leading group, to have the provincial governor act as the chief of this leading group, to also set up a system of convening regular meetings, and to strengthen macro control over the scientific and technological work. All cities, prefectures, and counties should actively perfect the system for guiding the scientific and technological work. At present, all levels are working out their Ninth Five-Year Plans and long-term development plans. We should take the acceleration of the scientific and technological progress as an important content and have it penetrate into the plans and do a good job in coordinating the industrial policies with the scientific and technological plans. The governments should intensify and perfect their functions for management of science and technology; pay firm attention to working out scientific and technological development strategies, principles, policies, and relevant rules; organize forces to make major scientific research and technological development, and make achievements in the construction of scientific and technological infrastructural facilities. We should cultivate and develop technology markets and information markets; form an equal, public, and fair competition order; and rely on the market mechanism to develop scientific and technological resources under the governments' macroeconomic regulation and control. The scientific and technological work should affect the work of all departments and all professions and trades. All professions and trades should support one another,

closely work in cooperation with one another, regard the promotion of scientific and technological progress as their own important duties, and creatively carry out their work. As for the major scientific and technological progress items affecting the province's overall economic situation, all departments concerned should act in unison under the guidance of the scientific and technological leading group to tackle key scientific and technological problems, make industrial experiments to expand scientific and technological findings to capital construction and technological transformation projects, and coordinately service the transformation of scientific research findings into real productive forces.

We should pay attention to playing science and technology's role in making government policy decisions so as to make the policy decisions more scientific, democratic, and legal. Along with the ceaseless development of modernization, the governments at various levels have greatly upgraded their policy decision levels. However, the governments still have a long way to go in order to have their policy decisions meet the internal demands of the socialist market economy. Only a small number of people have final say on policy decisions, which tend to be of a low scientific level and a highly willful nature. The phenomena of not listening carefully to specialists' opinions has become rather popular, and violations of policy decision procedures and loose enforcement of laws and discipline have become frequent occurrences. All these have brought about undue losses to our work. To change this situation as quickly as possible, the province decided to organize the specialists of various professions and trades across the province into several scientific and technological specialist advisory groups and to set up a system of convening forums of leaders and specialists to conscientiously listen to specialists' opinions. When making major economic policy decisions, particularly studying major development issues and major construction projects, we should organize specialists to make assessments. This should be regarded as a system and be insisted upon. We should pay attention to the setup of legal systems and do a good job in working out and implementing policies. The state has formulated the "law on scientific and technological progress." Our province has worked out the "regulations on scientific and technological progress." All localities should also work out detailed rules and regulations and also conscientiously implement them. Simultaneously, we should gradually apply the form of legalization to regularize the policies and regulations that have been mature so as to make the work concerning scientific and technological progress embark on a path of legalization.

We should set up a plural, multi-layered, science and technology investment mechanism and realistically increase the investment in science and technology. Besides being of strategic importance, investment in science and technology can increase productivity and efficiency. Over the past years, our province has worked out a series of policies and measures to gradually increase the input to science and technology. However, from a general perspective, the problems pertaining to insufficient investment in science and technology and impediments to channels of investment are still conspicuous. We should understand the issue of science and technology from a strategic perspective. We should be determined to increase the input on science and technology even if we have to be tight in the spending in other fields; form an all-society scientific and technological input system whose pillars are financial allocation, bank loans, funds raised by enterprises themselves, and foreign funds in steps; and ensure that the all-society scientific and technological exploration funds top 1.5 percent of the gross domestic product up to the year of 2000. Henceforth, the growth of our scientific and technological input allocated by finance departments should be higher than that of normal financial expenditures. The funds used on scientific and technological exploration under the charge of the provincial departments of planning, economy, and education should be increased with each passing year. The funds for agricultural exploration, which is used for scientific and technological exploration, should also be increased correspondingly. The financial department should adjust the direction of investment and give preferences to science and technology. Policy-lending banks should use more than 5 percent of the total loans on the comprehensive and important new-tech and advanced-tech projects. All the commercial banks should also increase scientific and technological loans of the newly added loans every year. It is imperative to encourage establishment of credit co-operatives of science and technology to strengthen the lending of funds. All banks should also draw in and borrow funds from abroad through many forms. What should be particularly emphasized is that our scientific and technological input is not only insufficient in the total sum, but that its use is scattered and inefficient. We should make up our mind to change this situation, coordinate in a unified manner, amass our input, develop several projects of scientific and technological progress every year which concerns the overall situation of the national economy, and further make the limited scientific and technological funds yield greater efficiency.

It is imperative to respect knowledge and qualified personnel, and fully mobilize the initiative of the broad masses of the scientific and technological personnel. Competition in science and technology, in the final anal-

ysis, caps off the training of qualified personnel. Qualified personnel in science and technology are the major forces in transforming science and technology into productive forces. We should adopt feasible measures to better the working and living conditions of the scientific and technological personnel and create a mechanism which can make talents show themselves. Leaders at all levels should encourage the scientific and technological personnel to get rich first, and the scientific and technological personnel should also depend on their own honest labor as well as scientific and technological results to get rich first. We should improve and standardize the system to encourage scientific and technological progress. The amount of awards as well as the numbers of award recipients of the "Shandong scientific and technological progress awards," the "awards for contributing to Shandong's development with science and technology," and the "spark awards," should be increased reasonably, and we should assure the implementation of these awards. For those experts with special contributions, we should stipulate special methods of encouragement. Especially for those trans-century leading talents in science and technology, we should create good conditions for them to grow and produce results, and give preferences in handling their job transfers, residence registration, equipment allocation, and allowance. Meanwhile, the province as well as all localities should pay firm attention to study and stipulate the encouraging policy under which the scientific and technological personnel share the direct profits of research results and technology dissemination. It is imperative to create conditions for the scientific and technological personnel, especially young and middle-aged science and technology personnel, to pursue advanced studies and to participate in academic exchange activities. We should stipulate preferential policies, attract qualified personnel from home and abroad to work in our province, and accelerate the "two-way" flow of scientific and technological personnel. To sum up, we should form a brand-new situation through the active work of the whole society, in which the people with talent come forth in large numbers.

Comrades, implementing the strategy of developing Shandong with science and technology in a comprehensive manner and accelerating scientific and technological progress is an honorable, as well as arduous, task. We should mobilize people in the whole province; rally around the party Central Committee with Comrade Jiang Zemin as the core; follow the grand strategic layout of the party Central Committee to develop our country with science, technology, and education; advance our overall strength in science and technology to be ranked among the best of the whole country; depend on scientific and technological results to promote the comprehensive im-

plementation of our trans-century development target; and make due contributions to developing China.

Shandong To Study Nuclear Power Feasibility

HK1508085795 Beijing CHINA DAILY in English
14 Aug 95 p 5

[By Liu Weiling: "Shandong Seeks New Chance For Nuke Plant"]

[FBIS Transcribed Text] East China's Shandong Province has won approval to carry out a feasibility study to build a nuclear power plant.

Officials in Shandong said Yantai and Weihai have been proposed for 4-million kilowatt plants.

The plant will install four 1-million kilowatts generators with the first phase starting in 1998 with two generating units.

Initial investment for the first phase will be 40 billion yuan (\$4.8 billion.)

But the proposed plant is excluded by China National Nuclear Power Corp, which oversees China's development of nuclear power, in the development plan for the foreseeable future.

The plan only sanctions plants in Zhejiang, Guangdong and Liaoning provinces.

Energy officials say China takes a cautious attitude to developing nuclear power although the country's need for energy has spurred it to expansion.

Coal is now the primary source of energy production.

A study by the State Science and Technology Commission puts China's total energy demand at 4-5 billion tons of coal by the middle of next century.

But the country's output of coal, oil, gas and hydropower then will be able to meet only 80 per cent of the demand, which will force the country to resort to nuclear power to make up the shortfall.

Officials in Shandong, Liaoning, Fujian, Jiangsu and Hainan are eager to build nuclear power plants to meet increased demand for electricity aroused by rapid economic development.

The China National Nuclear Corp (CNNC) said eight generators with total capacity of 6.8 million kilowatts will be built during the Ninth Five Year Plan that starts next year.

The generators will be installed in the Liaoning Nuclear Power Plant, the second and third phases of the Qinshan Nuclear Power Plant in Zhejiang Province and the Second Nuclear Power Plant in Guangdong Province.

The company said only four stations are under consideration at present and preparatory work has started.

The 27-billion-yuan (\$3.2 billion) Liaoning plant, near Wafangdian in the southern part of the Liaoning Peninsula, will have two Russian 1-million kilowatt pressurized reactors in first phase construction.

The second phase of the Qinshan plant will install two 600,000-kilowatt generators, while the second nuclear plant in Guangdong will have two 1-million kilowatt generating units.

Prediction Electricity experts predict a peak development of nuclear power to appear around 2010.

The Ministry of Power Industry says nuclear power generating capacity will reach 20 to 23 million kilowatts by 2010.

And capacity will amount to 40 to 50 million kilowatts by the year 2020, accounting for 6 per cent of the country's total.

Now nuclear power accounts for only one percent of the country's total electricity generation.

Since nuclear power construction started in the mid 1980s, China has become the world's seventh largest user of nuclear power.

Two nuclear power stations, the Dava Bay Nuclear Power Plant in South China's Guangdong Province

and the Qinshan Nuclear Power Plant in East China's Zhejiang Province, have a total generating capacity of 2.1 million kilowatts.

Fujian To Offer Digital Mobile Communications

*OW1508110795 Beijing XINHUA in English
0938 GMT 15 Aug 95*

[FBIS Transcribed Text] Fuzhou, August 15 (XINHUA) — This capital of south China's Fujian Province, has taken the lead in the country in telecommunication development since the early 1980s, when it opened the country's first 10,000-line advanced program-control telephone exchange.

At present, the city is connected with other parts of the province and the outside world through a high-tech, large-capacity and multi-method telecommunications network, with optical communications as the backbone.

By the end of June this year Fuzhou had urban telephone exchanges with a total of 370,000 lines, and there are 30 telephones for every 100 people.

A local official said that Fuzhou has 26,000 mobile telephone users and more than 300,000 beeper owners at present.

The city plans to expand its mobile telephone capacity and open a digital mobile telecommunications service.

General

Tian Jiyun's Notes Various Topics During Trip

HK1508063095 Beijing JINGJI RIBAO in Chinese
2 Aug 95 p 2

[By Tian Jiyun (3944 4764 0061): "Implement 'Agriculture Law,' Strive To Develop Socialist Market Economy in Rural Areas — Speech Delivered on 4 June 1995 During Inspection Tour of Jiangsu"]

[FBIS Translated Text] I have been to Jiangsu many times. I last came to Jiangsu to arrange the struggle against floods and the relief work in 1991, which saw serious floods here. During the trip, I stayed only a short time and my task was tough. This time I have travelled from southern to northern Jiangsu, visiting Suzhou, Wuxi, Changzhou, Nantong, Yancheng, Yangzhou, and finally Nanjing. While visiting these places, I have held discussions with local people on developing agriculture and township enterprises, and on implementing the "Agriculture Law." I have had a look at many township enterprises, basic farmland protection zones, low-yield farmland transformation projects, development projects in intertidal zones, livestock farms, breeding farms, the Tai Hu-harnessing project, the construction of small towns and new rural areas, economic and technological development zones, bonded areas, and industrial parks or zones. I have had talks with comrades in various cities, counties, townships (towns), and villages, and have visited a number of peasant households. It is not without reason to say that the trip left a deep impression on me, and was a most rewarding one.

Jiangsu's economic development is inspiring. The situation with agricultural production is excellent. A bumper harvest of summer crops is in sight, rapeseed production has grown by a large margin, and more land is sown to rice and cotton than last year. Leaders at various levels attach great importance to agriculture, which actually means that the entire party focuses on agriculture. This is crucial to steady agricultural development. Industrial production continues to grow rapidly. Many enterprises are making great efforts to expand their production scale, upgrade their products, and improve their economic efficiency, showing a robust momentum. Tertiary industry is expanding at a high speed; the market is brisk, with a dazzling array of commodities; prices are dropping somewhat; great achievements have been scored in promoting cultural and ideological progress; stability prevails in society; and the countryside presents a scene of prosperity. The great numbers of cadres and masses are full of enthusiasm. Wherever I went, I met young and better educated county, township, village, and enterprise cadres. They have lofty ideals and aims in their minds, and are full of drive. They are applying

themselves to boosting economic growth and modernization.

Jiangsu has accumulated a wealth of experience in reform and opening up, and in the modernization drive. Both the Chang Jiang delta and the Zhujiang delta are two of the most economically developed places in China, enjoying the greatest economic strength and greatest power for sustained development. They are also two dragon heads of China's reform and opening up. Since the drive for reform and opening up was launched, and especially since the talks given by Comrade Deng Xiaoping during his visit to the south, Jiangsu, and southern Jiangsu in particular, has seized the opportunity to deepen reform, open wider to the outside world, beef up economic development, and promote social progress in all facets, bringing about a great change in the countryside. They have attained or surpassed the objective of quadrupling the 1980 gross local production. They now are heading for the objective of building up a modern socialist countryside. Many places gradually are blazing a trail featuring "coordinated development of primary, secondary, and tertiary industries, with stress being placed on the development of the collective economy and on the simultaneous promotion of spiritual and material civilizations so as to achieve common prosperity." And now, for your reference, I would like to express my views on the implementation of the "Agriculture Law," adapting land use to an appropriate operational scale, the development of township enterprises, and agricultural development under the guidance of the law governing the market economy.

1. Promotion of Land Operations Adapt to Economies of Scale in an Enthusiastic and Prudent Way

Since the Third Plenary Session of the 11th CPC Central Committee, the contract responsibility system on a household basis with remuneration linked to output has been introduced as the main form in most rural areas across the country. The system is a great creation by Chinese peasants, and is also an important result of rural reforms. The system has enabled peasants to operate on their own, and thus greatly aroused their sense of responsibility and enthusiasm for production. In March 1993, the first session of the Eighth NPC, in adopting a constitutional amendment, passed into law the responsibility system, an organizational form of the rural collective economy. The "Agriculture Law" further provides: "The state will stabilize the contract responsibility system on a household basis with remuneration linked to output as the main form, improve the dual management system combining unified and independent operations, and develop collectivized agricultural services so as to

expand the collective economy and encourage peasants to move toward common prosperity. Facts have revealed that the operational mode matches the present level of production forces in rural areas and satisfies the wishes of the broad masses of peasants.

At present, and for a fairly long period to come, we should continue to stabilize and improve the rural operational system with the responsibility system as the mainstay so as to bring into full play peasants' enthusiasm for production and to speedily expand rural productive forces. In the meantime, with the growth in productive forces, efforts should be made to promote land operations adapt to economies of scale in places where conditions permit. This is an important requirement for achieving modernization in rural areas.

What conditions are necessary for land operations adapted to economies of scale? While in Suzhou, Wuxi, and Changzhou, I discussed this matter with local cadres and drew the following conclusion: The following four requirements are necessary for land operations adapted to economies of scale. 1) Fairly big growth in secondary and tertiary industries, with their total output accounting for 70-80 percent or more of the gross local output; 2) Some 70-80 percent of rural labor transformed from farming to non-agricultural occupations; 3) A network of collectivized services so complete as to be able to provide the machinery, seeds, plant protection, irrigation, and means of production needed for optimum-scale land operations, and to spread science and technology; and 4) Peasants' free will — this last requirement is indispensable. In southern Jiangsu, optimum-scale land operations are pursued mainly in two ways: 1) Collective farms, which are managed by collectives under contract, are run, and every member of the collective is accountable for his share of the responsibility assigned; 2) The land is left to the care of big farming households under contract. These households are usually good hands at farming, and are interested in managing a certain amount of land. Which way is suitable for a particular locality must be decided in light of actual local conditions. Dogmatism must be avoided. Either way is a new form of operation developed under the contract responsibility system on a household basis with remuneration linked to output, rather than a repetition of the past practice of allowing everyone to eat from the same big pot. Both ways can give full play to producers' enthusiasm and can increase the output capacity of land, labor productivity, and the output of marketable grain.

What about the fields for growing grain for the peasants' own consumption? In southern Jiangsu, most such fields remain intact, and are managed by individual peasant households. In a few localities the fields are

run collectively. Every household is given grain in proportion to the amount of the field previously under their own management, and pays costs to the collective for the grain they receive. The fact that peasants are reluctant to give up their fields for growing grain rations, even in such an economically developed place as southern Jiangsu, tells us that land is peasants' lifeline and their best social insurance, with which they think they will not suffer starvation and so they can work with township enterprises or in other spheres without fear of disturbance at home. In my view, the land for growing grain for the peasants' own consumption should be managed by individual peasants and not be left to the care of the collective or big farming households.

It is still too early for the nationwide introduction of land operations adapted to economies of scale, and we should take specific conditions into account before following the practice. Other places must not copy southern Jiangsu's practice indiscriminately, to say nothing of jumping on the bandwagon at the order of the authorities. We must bear in mind the lesson learned from our mistake in the past. Where conditions permit, optimum-scale land operations can be introduced gradually and in light of the actual situation, and where conditions are immature, we must not force the peasants to give up their fields and introduce the practice by administrative means. In particular, we must allow peasants to till the fields for growing grain rations, which constitutes an important factor for rural stability. For most places across the land, the important thing to do is to vigorously develop the secondary and tertiary industries so as to create conditions for land operations adapted to economies of scale.

2. Tasks of Vigorously Developing Township Enterprises and Enhancing Industrial Level in Rural Areas

The township enterprises that have been set up and developed in many places are a creation of Chinese peasants, and also are a great achievement of rural reforms. In the past, we described township enterprises as a "dark horse," but now they have become a "new force" and in some places a "main force." At present, the gross output value of township enterprises nationwide accounts for 50 percent of China's gross industrial output value. In Jiangsu, the gross output value of township enterprises made up two-thirds of the province's industrial total, while in southern Jiangsu, the figure jumps to four-fifths. The existing township enterprises are quite different from what they were in the 1970's and 1980's, when they did only minor jobs. They now are of a considerable scale and a rather high grade. Some township enterprises have been equipped with high and new technolo-

gies, and produce sophisticated products, while others have joined the world market and carried on transnational business. Why have township enterprises flourished in the last dozen years following the introduction of reform and opening up? And why have they continued to grow vigorously? My visit to southern Jiangsu and my discussions with local cadres told me that the most important reason is that they are free from many interferences from "grannies," so they have a better mechanism. Tens of thousands of township enterprises go bust, while more are set up every year throughout the country, following the principle of the survival of the fittest. The mechanism features rapid decisionmaking, high efficiency, and flexibility in making use of personnel and in distribution. This is where the main source of township enterprises' vitality lies. State enterprises are different from township enterprises in having many "grannies." Where the government-township enterprise relationship is concerned, the government function is limited to giving guidance, coordinating and organizing efforts, providing services, collecting taxes, and seeing to it that the person in charge of the township enterprise performs well. If the township enterprise were treated the way the state enterprise is, I believe the township enterprise certainly would go nowhere.

The township enterprise went through a course full of twists, turns, and struggles. At the beginning, they were labeled as "stopping at nothing in doing evil," "seizing every opportunity to do evil," "defying laws both human and divine," and so on. Later, they were accused of "using minor projects to squeeze out major ones" and "using inferior products to squeeze out superior ones." Are such accusations not surprising? Since your projects are "big ones," why should you lose out to "small ones?" Why are you afraid of competition? The key reason is that your mechanism is unworkable. Township enterprises did not thrive before overcoming many difficulties. They did not ask the state for financial assistance, but they have provided new job opportunities for many peasants, a large collection of commodities for the market and foreign trade, and taxes for the state. They have played a big role in maintaining social stability, promoting economic growth, and improving the people's living standards. In southern Jiangsu, township enterprises have provided a considerable amount of funds for agriculture, and have created favorable conditions for the construction of small towns. It is safe to say that without township enterprises, the rural economy would be devoid of a pillar, and the national economy as a whole would sag. The "Agriculture Law" fully affirms the importance of developing township enterprises, and it calls on governments and collective agricultural economic bodies at all levels to take measures to develop township enterprises and tertiary industry because these

are essential to achieving rural modernization. So we must be firm in developing township enterprises, irrespective of all unfavorable political climates. Of course, planning and guidance are necessary so as to avoid chaos. In particular, we should exercise strict control over projects causing pollution. Serious pollution now is found in some places, and both foreign-funded and state enterprises, as well as township enterprises, are to blame. All enterprises must place the task of preventing pollution on their agendas.

Township enterprises are marching ahead by deepening reform. Many places now are introducing the joint-stock system into township enterprises and thus directly link township enterprises with peasants' interests. This move breathes new life into township enterprises. The relevant experience should be summarized. Township enterprises should open wider to the outside world, go all-out to develop export-led enterprises, continue to expand the scale of production, and upgrade their products. They should introduce investment from abroad, establish lateral ties at home, and carry out technological cooperation to update their products in a bid to bring rural modernization to a new high.

3. Providing Guidance to Agricultural Production According to the Law Governing the Market Economy

By reviewing our work since the founding of the PRC, we will realize that the ups and downs in agricultural production are closely related with whether or not we respect the law of value. When we respected and applied the law of value to agricultural production, the latter grew in a rapid and stable manner; otherwise, it declined and suffered setbacks. After introducing reform and opening up, we deregulated the prices of aquatic products and fruits. In the initial period, their prices went up a little, but aquatic products and fruits were in liberal supply owing to the role played by the law of value, and their prices later stabilized. That also was the case with agricultural products. Whatever product is deregulated, its output grows and its quality improves. Deregulation means acting according to the law of value, and applying the law to agricultural production. This is most essential to agricultural production. The "Agricultural Law" has summarized and affirmed this experience. Article 2 of the general provisions clearly specifies: "The basic aim of agricultural production is to vigorously develop a socialist market economy in rural areas...to achieve agricultural modernization step by step." The "Agricultural Law" also contains a series of regulations requiring that agricultural production and the circulation of agricultural products be guided according to the requirements of the socialist market

economy. For example, "the state is to guide operational entities in agriculture and to guide peasants in adjusting the structure of agricultural production according to market needs so as to ensure stable growth in grain and cotton production and to fully develop the plantation industry, forestry, animal husbandry, fishery, and a highly efficient agriculture that provides greater and better yields." (Article 22) "The purchase and marketing of agricultural products is subject to market forces. The state exercises necessary macrocontrol over the purchase and marketing of agricultural products that are of vital importance to the national economy and the people's livelihood." (Article 35, Section 1) "The state encourages and guides peasants in engaging in the circulation of agricultural products in various forms." (Article 37, Section 2) It is not without reason to say that beefing up the development of a socialist market economy is like a red thread running through the "Agriculture Law," and also represents an important characteristic of the law. It is necessary to apply the law of value to agricultural production, and to enthusiastically explore new ways to gradually subject principal farm produce to market needs and to build up a socialist market economy in rural areas.

Gradually reducing the scissor gap between industrial and agricultural prices is not only an economic issue, but also a major issue concerning the worker-peasant alliance. Since the reform and opening up was introduced, the state has raised agricultural prices many times to alleviate the problem caused by the gap. Over the last few years, however, there has been an excessive increase in the price of the means of agricultural production, widening the gap yet again. This has dampened the peasants' enthusiasm for production. The "Agriculture Law" has stipulated the reasonable price ratio between the means of agricultural production and farm produce. This is necessary. The facts at home and abroad have proved: The process of national economic development must be a process of simultaneous industrial and agricultural development. The two must rely upon and supplement each other. If agricultural development were to be held back, industrial development would not last long, let alone economic modernization. Therefore it is necessary to narrow the "scissor gap" between industrial and agricultural prices to ensure coordinated industrial and agricultural development. Basically speaking, we must deepen reform and raise productivity to solve this problem. For the present, we must take measures to curb the excessive increase in the prices of the means of agricultural production in order to maintain a reasonable ratio between the prices of the means of agricultural production and those of farm produce. It is also necessary to improve the quality of the means of agricultural production and to take measures against malpractices

detrimental to peasants' interests. Again, some places are integrating trade, industry, and agriculture. In reality this is an administrative combination, or a plate [ban kuai 2647 1040] combination. Under such a practice things will be like this: Peasants sell their products to me and I give them the money. Then the peasants will not share in my profits or losses from reselling the products. Things are different in some developed countries like New Zealand and Australia, which have achieved the integration of trade, industry, and agriculture. In these countries, all parties concerned share in the profits and risks. If I sell you milk, apart from receiving a certain amount of money representing the value of the milk, I also will receive profits brought by the commercial and industrial links in proportion to the quantity and quality of my milk after it has been processed and exported. To boost China's agricultural production, we must find a way to properly integrate the interests of trade, industry, and agriculture. In my view, we can choose several products to carry out the experiment. After gaining experience, we can extend the practice to other products.

In the final analysis, to act according to the law governing the market economy, and to apply the law of value to agricultural production aims at protecting peasants' interests. This is where the essence of the "Agriculture Law" lies. The "Agriculture Law" is designed to strengthen the role of agriculture as the foundation of the national economy, to develop a socialist market economy in rural areas, and to protect the legitimate interests of agricultural production organizations and peasants. The secondary and tertiary industries have been developed, and the proportion of agricultural output value in the GNP has dropped — in some places in southern Jiangsu the proportion has dropped to about 5 percent — but the role of agriculture as the foundation of the national economy remains unchanged, and will never change. In China, a country with a population of 1.2 billion, food is of primary importance, so agriculture must never be ignored. Basically speaking, protecting and supporting agriculture means protecting peasants' interests. Only in this way can we arouse the peasants' enthusiasm and develop agricultural production. We should learn to defend, promote, and guide agriculture, rural reforms, and development, as well as to adjust by legal means the relations of all parties in terms of powers and interests so as to create a favorable legal environment for developing a socialist market economy in rural areas.

Hebei Supplies Beijing With Nonstaple Foods

OW1508074295 Beijing XINHUA in English
0645 GMT 15 Aug 95

[FBIS Transcribed Text] Shijiazhuang, August 15 (XINHUA) — Hebei Province in north China has become the largest supplier of non-staple foods to Beijing and Tianjin, two of the biggest cities in the country.

At present, nearly half of the total consumption of eggs, meat and vegetables in Beijing is supplied by the province.

According to provincial officials, Hebei has given high priority to the development of the Vegetable Basket Project launched by the state a few years ago, and achieved remarkable successes.

To serve Beijing and Tianjin is a long-term task and is of great significance, the local officials said.

To make their service more effective, the province has taken a series of measures to expand the varieties of non-staple foods.

The province not only provides Beijing and Tianjin with abundant supplies of eggs, meat and vegetables, but is also planning to offer the residents of the two cities many types of food rarely seen in cities, such as buckwheat flour, almond powder and oatmeal.

Moreover, to provide Beijing residents with more fresh seafood, Hebei has decided to develop vigorously the sea-food industry by taking full advantage of its 487-km-long coastline, including cultivation and production bases for shellfish and seaweed.

The province also plans to build several large-sized wholesale markets for farm and sideline products in the rural areas bordering the outskirts of Beijing and Tianjin to ensure better supplies of non-staple food.

Shanxi Province Reduces 'Money-Losing' Firms

OW1508014295 Beijing XINHUA in English
0122 GMT 15 Aug 95

[FBIS Transcribed Text] Taiyuan, August 15 (XINHUA) — North China's Shanxi Province has achieved success in reducing the number of money-losing state-owned enterprises this year.

Statistics show that in the first half of this year the number of state-owned enterprises in the red decreased by 203.

Compared to the same period of last year, the proportion of money-losing firms has fallen by 15.4 percentage points to 19.2 percent, the lowest in the country.

Meanwhile, the total deficit of industrial firms in the province has dropped by 43 percent to 165.78 million yuan, the biggest fall across the nation.

The provincial government of Shanxi has attached great importance to the task of cutting deficits and increasing profits, in a bid to improve the quality and efficiency of the economy.

Since the beginning of this year, 100 state-owned enterprises in the red have been chosen to receive special assistance from local governments, including various means such as favorable policies and financial aid.

Ningxia Region 'Accelerating' Development

OW1508014195 Beijing XINHUA in English
0114 GMT 15 Aug 95

[FBIS Transcribed Text] Yinchuan, August 15 (XINHUA) — The formerly backward Ningxia Hui Autonomous Region in northwest China is now accelerating its pace of economic development with the help of preferential state policies.

The grain output in the region last year was 2.1 billion kg, compared with 1980's 1.2 billion kg. The development of township enterprises has kept up its momentum, and some one fifth of surplus rural laborers are now employed in these enterprises.

Meanwhile, the energy and raw materials industries have witnessed a rapid development in the past few years.

Since 1985 the central government has invested 10.8 billion yuan in fixed assets in the region, of which, some 8.2 billion yuan has flowed directly to the basic and infrastructure industries, such as water control, power and coal.

During the same period a batch of key state construction projects have been completed, laying a strong base for the economic development of the region.

Further, to solve the fund shortages in the region, the local government has spared no efforts to attract foreign and domestic investment.

So far, the region has carried out some 3,000 co-operation projects with other provinces and introduced some 500 million yuan from them.

Xinjiang Chairman on Utilizing Provincial Brands

OW1508104595 Urumqi XINJIANG RIBAO
in Chinese 30 Jul 95 p 1

[By Xinjiang Autonomous Regional Chairman Abdulahat Abdurixit (a bu lai ti. a bu du re xi ti 7093 0008

0171 2251. 7093 0008 6757 3583 6007 2251): "Build Up Xinjiang's Brand Names and Get Involved in International Competition"—An article originally carried by XINJIANG HUABAO [XINJIANG PICTORIAL] No. 4, 1995]

[FBIS Translated Text] As the 40th anniversary of the founding of the Xinjiang Uygur Autonomous Region approaches, Xinjiang's first batch of brand-name goods are figuratively introduced to the reading public by XINJIANG HUABAO, which not only records the glorious past of the manufacturers of Xinjiang's brand-name goods but also provides important bases with which the numerous consumers and Chinese and foreign businessmen understand, protect, and supervise the region's brand-name goods.

Pursuing the "Xinjiang brand names" strategy is a major move in Xinjiang's economic reform process, whose fundamental purpose is to vigorously develop the region's brand-name and high-quality goods, enhance their competitiveness, enable them to get better involved in both domestic and international market, improve the economic efficiency of enterprises, and promote the speedier development of Xinjiang's economy.

As market competition is becoming increasingly acute, if a country or a region does not have large numbers of enterprises known at home and abroad and if an enterprise is unable to build up a brand name, which sells well in both international and domestic markets, it cannot but find itself in a passive position and lack behind others forever.

Brand-name goods are the crystallization of high technology and high quality. Product ranking marks the development level of a country's national industry. We should view the building up of Xinjiang's brand names as a strategic issue, which has a bearing on the economic development of all nationalities in Xinjiang, work out as quickly as possible a strategy and plan for the development of brand names commensurate with modern international commercial competition, implement them actively, create favorable conditions in support of the production of brand-name goods, and adopt effective measures to protect their reputation. I am convinced that so long as all members of society take care of the development of brand names, Xinjiang's brand-name goods will surely be able to enter both domestic and international markets. When Xinjiang's brand-name goods sell well on both domestic and international market, that will mean that Xinjiang's economy has taken off and the nation has become prosperous and the people strong and powerful.

Official Urges Action To Safeguard State Property
OW1408132195 Beijing XINHUA in English
1308 GMT 14 Aug 95

[FBIS Transcribed Text] Changchun, August 14 (XINHUA) — Relevant government departments must deal with major cases of loss of state property more strictly, Zhang Youcai, director of the State Administration of State Property (SASP), urged here today.

"We must not be light-handed when dealing with major cases," Zhang said at an ongoing national meeting attended by officials of local state property administration departments.

He said that losses of state property have aroused great concern among the general public and developed into an issue that can no longer be neglected. He urged local officials to make more strenuous efforts to ensure that state property under their administration keeps gaining, instead of losing, value.

The central government has uncovered ten major channels and 58 ways by which state property is often lost, said Zhang. He cited losses occurring during the process of setting up Sino-overseas joint ventures, transforming state-owned enterprises into stock companies and transferring state property, as state assets are often undervalued or not evaluated at all during these processes.

Zhang said that the SASP will set up an office specializing in investigating state property losses.

Rules and regulations on dealing with cases of loss of state property being drafted by the SASP, the State Council and other relevant departments will be unveiled within this year, according to Zhang, who also urged local state property administration departments to investigate and deal with major cases of loss of state property more effectively through co-operation with judicial departments.

In another development, a one-month-long educational series on state property launched by the China Central Television Station on August 6 will expose major cases of loss of state property in over a dozen cities, according to Qin Xiaoying, an SASP official.

Commentary Stresses Protection of State Assets
HK1508033395 Beijing CHINA DAILY in English
11 Aug 95 p 4

[CHINA DAILY Commentary: "Plug The Asset Drain"]

[FBIS Transcribed Text] Supervisory bodies will be dispatched to 1,000 State-owned firms to oversee the management of State assets, the State Administration of State Property has decided.

Also, bottom prices for the transfer of land use rights have been fixed by the State Land Administration.

These are the government's latest moves aimed at stopping the drain of State assets.

In socialist China, the State sector forms the cornerstone of the national economy and is the main source of State revenue. The importance of State assets is obvious.

About 75 per cent of State assets are concentrated in State-owned enterprises. Market-oriented enterprise reforms entail changes in the administration of State assets.

A market economy calls for separation of government administration from enterprise management. In other words, enterprises have to be given full autonomy.

With economic reforms, re-organization of property rights has been tried out in various new forms, including enterprise mergers, share-holding mechanisms and joint ventures. While opening up new opportunities has brought great vitality to the Chinese economy, ways have to be found to prevent the drain of State assets often caused by the lack of clear and scientific assessment of property values.

State assets are often undervalued when converting State firms into joint ventures or share-holding companies. The legitimate rights and interests of State firms are not properly protected.

Also, some local authorities resort to offering land rights at very low prices or even free in order to attract foreign investment.

Low efficiency and mismanagement are other major causes of asset losses.

230 billion yuan (\$27.7 billion) worth of State assets was drained away from 1987 to 1992, according to the State Economic and Trade Commission.

Moreover, since nobody in the employ of enterprises represents the interests of the State, it is difficult to pinpoint either the government departments or the enterprises themselves that are responsible for the drain of State assets.

Since the publication of the Regulations on Supervision and Management of Assets of State Firms last July, the central government has done its best to stop the drain of State Assets. It ordered the suspension of property rights transactions in local markets and the creation of a nationwide inventory of the assets of State firms, government establishments and government-financed institutions. Such measures coincide with the ongoing efforts to redistribute State assets through enterprise mergers and bankruptcies.

Stopping the drain of State assets is a precondition to revitalizing the State sector. On-the-spot supervision and strict control of the pricing of State land resources will improve the use of State property and prevent further losses.

Introduction of such regulative measures does not mean any slowdown or reversal in the nation's reform and opening up. Instead, the government is attempting to bring order to the management and utilization of State assets. This new campaign to clarify and check State assets will help produce an accurate operational State asset account and a clearer plan for the future. And a well-regulated investment environment will benefit all investors seeking legitimate profits.

China's State assets approached 3,500 billion yuan (\$422 billion) by the end of 1993. And they keep growing. When such a tremendous reserve is used to the best advantage, it will greatly benefit the national economy.

Commentator on Enterprise Merger, Bankruptcy
HK1508014795 Beijing JINGJI RIBAO in Chinese
15 Jul 95 p 1

[Commentator's Article: "Vigorously Promote Work of Enterprise Merger and Bankruptcy"]

[FBIS Translated Text] The history of world economic development proves that mergers and bankruptcy are the two principal means of stopping long-term operational losses on the part of enterprises. Recently, leading comrades of the Central Committee and the State Council have repeatedly emphasized the need to energetically promote the work of enterprise mergers and bankruptcy, the strategic restructuring of enterprises and the optimal employment of capital, and do a better job in running state-owned enterprises.

Energetically promoting enterprise mergers and bankruptcy is a strategic question with a vital bearing on the overall situation of reform and development. From the perspective of the present situation of the reform and development of state-owned enterprises, speeding up the restructuring process and establishing a mechanism of competition remain major issues that need to be addressed in earnest. Irrational structures and the practice where enterprises can only be established but cannot declare themselves bankrupt still seriously hamper the establishment of a modern enterprise system and the overall improvement of the quality and performance of state-owned enterprises. Vigorous efforts to promote the work of enterprise mergers and bankruptcy are powerful levers in the achievement of an optimal structure and the establishment of a mechanism of competition.

The significance of mergers lies in the following: First, they can effectively optimize the use of capital. Through mergers, efficient enterprises can eliminate the inefficient ones and take over their assets, assets can move from enterprises that perform poorly to those that perform well, and limited capital can be centralized in the hands of enterprises that can put it to effective use. In this way, we can tap the potential of state-owned assets and optimize the structure of capital. Second, they can tap the potential of enterprise groups. In the process of forming mergers, enterprises initiating the mergers will be able to increase their capital, expand their markets, and increase their strength, while enterprises being merged will be able to cut their losses, unload their burdens, and pass over their risks. Third, they will help with the speedy development of a guiding force in the national economy. An important and indispensable condition for the establishment of the socialist market economy is that the state sector must play a leading role in the national economy as a whole. It is understood that the government will strive to achieve the target of giving scope to this "leading role" through the strategy of forming large groups and companies and through the promotion of a number of dominant industries and enterprises, in other words, through grasping a "few key players" that can move and shake the national economy as a whole. Encouraging the formation of mergers, fostering the efficient ones, and eliminating the inefficient ones is an effective means of rapidly achieving this target.

The significance of allowing bankruptcy lies in the following: First, it ensures the development of a mechanism of competition where the efficient ones will prosper and the inefficient ones will be eliminated. In the new framework of the socialist market economy, state-owned enterprises must face the market, truly become the mainstay of the market, and survive and develop in a competitive environment where only the fittest can survive. The introduction of the mechanism of bankruptcy is a concrete measure for consolidating the mechanism of competition. Second, it can optimize the structure. Bankruptcy can help remove those enterprises in the state sector that are poorly managed, that are insolvent and have no hope of recovering losses, and can help maintain a national economic structure as a whole. Third, allowing state-owned enterprises to go bankrupt implies that the state no longer needs to spend vast amounts of energy and money to sustain those "vegetable enterprises" that "are neither alive nor dead." This will prevent the waste of social resources and reduce the loss and runoff of state-owned assets.

The present reality of reform and development provides a rare historical opportunity for the effective promo-

tion of the work of enterprise mergers and bankruptcy. First, the smooth introduction of reform measures to the financial, banking, investment, foreign exchange, foreign trade, and other major systems in 1994 has further straightened out the macro-control system. Second, following the establishment of the modern enterprise system and the deepening of experimental reforms for the "optimization of the capital structure" in 18 cities, the work of enterprise mergers and bankruptcy can no longer be evaded. All localities are now making positive efforts to explore, create and accumulate new experience.

According to statistics compiled by departments concerned, a total of 261 enterprises had merged with others or declared themselves bankrupt by the end of last year. Thus far, 159 enterprises in 18 cities have applied for insolvency. Among these, 46 were bankrupt by the end of 1994, another 30 are being considered, while 83 are included in the 1995 bankruptcy plan. Third, the formulation of a series of policies relating to enterprise mergers and bankruptcy — such as the "Circular on Questions Concerning the Trial Practice of Bankruptcy for State-owned Enterprises in Some Cities" issued by the State Council at the end of October 1994, and the "Circular on the Handling of Bank Loans and Interest Following the Introduction of Measures To Encourage and Support Dominant State-owned Enterprises in 18 Cities To Form Mergers With Industrial and Production Enterprises in Difficulty" issued by the People's Bank of China, the State Economic and Trade Commission, and the Ministry of Finance in May 1995 — has provided a fine policy environment for the implementation of this task. Fourth, the central authorities have attached great importance to this task, and the local authorities have shown great enthusiasm. We must firmly grasp this rare historical opportunity, rapidly promote the work of enterprise mergers and bankruptcy, and make substantial contributions to consolidate the achievements of experiments in the establishment of the modern enterprise system and to lead the national economy onto a benign cycle.

The work of enterprise mergers and bankruptcy is a task that has strong policy implications, involves many aspects, and affects the vital interests of huge numbers of families. It has extremely complicated policy and technical requirements. As far as we are concerned, it is something new which needs further improvement through practice and explorations. We can predict that as long as we uphold the party's leadership, and as long as all departments work hard with one heart and one mind and fully mobilize the enthusiasm of various sectors of society, we will definitely be able to open up

new prospects for the work of enterprise mergers and bankruptcy.

Firms' Earnings, Inter-Company Debts Decrease

HK1508013095 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 13-19 Aug 95 p 5

[By Xiao Zheng: "State Enterprises Decrease Inter-Company Debt Defaults"]

[FBIS Transcribed Text] Shanghai — The good news is inter-company debt defaults are falling. The bad news is so are earnings.

These are the findings of a survey of the second-quarter performance of State enterprises in Shanghai, conducted by the Shanghai branch of the People's Bank of China.

Net inter-company debt defaults of the 350 enterprises in the survey totalled 20.8 billion yuan (\$2.5 billion) at the end of June, down 1.2 billion yuan (\$144 million), or 5.4 per cent, from the beginning of the year.

The figure is a 2.8 per cent drop from the same time last year.

It was the first marked decline this year in local State firms' inter-company debts, which were worsened by a government credit squeeze aimed at combating inflation, according to the central bank's Shanghai branch.

The number of enterprises finding it difficult to collect payment for their goods plunged by 34 per cent from the first quarter during the April-June period, according to the survey.

Net receivables saw the sharpest fall in the rubber, metallurgy and mechanical industries.

At the same time, the companies made less money.

Total profits of the firms survey amounted to 1.81 billion yuan (\$218 million) at the end of June, down 70 per cent from the first six months of last year.

Two per cent fewer firms reported a profit increase in the second quarter than in the first three months.

Central bank analysts attribute the plunge in profits to slow sales.

Still, about 84 per cent of the surveyed firms found the overall economic situation normal, eight percentage points more than in the first quarter.

And 69 per cent said their business performance is passable, 17.8 percentage points more than in the first three months.

Analysts concluded that State enterprises in Shanghai are making a turn for the better, but more efforts are needed to boost their earnings.

Authorities Grant 230,000 Patents Over 'Past Decade'

OW1408135695 Beijing XINHUA in English 1332 GMT 14 Aug 95

[FBIS Transcribed Text] Beijing, August 14 (XINHUA) — China has authorized patent rights for about half of the 448,000 patent applications during the past decade.

About 230,000 applications have been granted patent rights by the China Patent Office (CPO), said CPO officials attending the Third China Patented Techniques Fair, which opened here today.

Nearly 2,000 patented techniques were on display at the fair by 1,000 enterprises and research institutes from 30 provinces, municipalities and autonomous regions.

The fair, at the Beijing Exhibition Hall, is hosted by the CPO and the Ministry of Internal Trade.

***Industrial Structure Forecast for Upcoming Years**

95CE0519A Beijing JINGJI YU GUANLI YANJIU [RESEARCH ON ECONOMICS AND MANAGEMENT] in Chinese 8 Jun 95 No 3, pp 21-24

[Article by Qi Jingmei (4359 0079 2734): "Forecast and Analysis of China's Industrial Structure For the Years 2000 and 2010." The author is affiliated with the State Information Center's Forecast Department.]

[FBIS Translated Text] Whether the industrial structure is sound or not directly affects the continuous, speedy, and coordinated development of the national economy. From now until the years 2000 and 2010, China's economy will move from a fairly low level to a fairly high level of development, and the economic sectors, the structural composition of different industries, the economic emphases, and the trends of development of various industries will change dramatically. Upgrading and updating, change and evolution of the industrial structure are an inevitable part of high-level economic development. Forecasting and analyzing China's industrial structure in the years 2000 and 2010 is very important in helping the state to formulate proper industrial policies to guide the economy and in promoting the optimization of the industrial structure.

This article uses the input-output schedule to analyze and forecast the industrial structure in the years 2000 and 2010. Our input-output schedule is made up of 19 sectors: 1) Agriculture, 2) coal mining and dressing, 3) petroleum and natural gas recovery, 4) mining and dressing of other minerals, 5) food manufacturing, 6) the textile industry, 7) sewing, lumber processing, and paper manufacturing, 8) power and steam manufacturing, 9) petroleum processing, 10) coking, gas, and coal-based

manufactured goods, 11) the chemical industry, 12) construction materials manufacturing, 13) the metallurgical industry, 14) the engineering industry, 15) other industries, 16) the construction industry, 17) cargo transport and post and telecommunications, 18) commerce, 19) other services.

The three industrial tiers in the national economy are separated in the following ways: The primary industry consists only of the first sector, agriculture. The secondary industry includes sectors 2 to 16, 15 sectors in all. The tertiary industry includes sectors 17, 18, and 19.

If the GNP increases at a rate of 9 percent a year from now until the year 2000, by then, the GNP will be worth 4.1892 trillion yuan. If between the years 2000 and 2010, the GNP increases at an average rate of 8 percent a year, by the year 2010, the GNP will be worth 9.0440 trillion yuan. Our calculations henceforth are based on those figures.

Based on our forecast, the following will be the basic changes in China's industrial structure for the years 2000 and 2010: Growth in the primary industry will slow down; its net output value as a share of the GNP will decline. Overall, the secondary industry will maintain a fairly high rate of growth, but its internal structure will change dramatically. The tertiary industry will develop rapidly, and its net output value as a percentage of the GNP will keep on increasing.

I. In the wake of accelerated industrial development and deterioration of natural agricultural conditions, material consumption will increase and agricultural production will slow; the primary industry's share in the GDP will continue to decline.

In 1952, agriculture accounted for as much as 57.7 percent of the GNP, proving that in the early days of the founding of the PRC, China's economy was dominated by agriculture. After several decades, China's industrial economy began to attain both scale and standard; industrial production flourished, and a myriad of agricultural substitutes were introduced. As industry begins to dominate the economy, people become less dependent and spend less on agricultural products. In the years 2000 and 2010, industrial development will reach a new benchmark, and agricultural production will be even more limited.

In the wake of industrial development and the development of the construction industry, agricultural land is disappearing. Currently, there are approximately 1.44 billion mu of farmland; it is estimated that it will be further reduced to 1.37 billion mu by the year 2000. In addition, natural conditions for agriculture, forestry,

animal husbandry, sideline production, and fishery are deteriorating with increasing human intrusion. In view of the loss of farmland and deterioration of natural conditions, the only way to increase agricultural output is to increase agricultural input and agricultural material consumption. This is because the marginal productivity of agricultural production technologies, epitomized by the use of chemical fertilizers and pesticides, is around 300 kg of grain per mu of land, and when this margin is reached or exceeded, we must increase agricultural input substantially in order to increase output somewhat. Currently, China is approaching the 300-kg unit output mark; agricultural material consumption must be increased. In every developed country in the world, when traditional agriculture gave way to industry, the process was always accompanied by a sharp increase in agricultural material consumption.

The bases for high agricultural input are high agricultural labor productivity rate and high per capita peasant income. However, currently, China's agricultural economy is backward, the peasants are poor, and the state cannot afford to make large investments, and therefore today and in the foreseeable future, we are in no condition to engage in high-input agriculture. Any increase in agricultural product consumption can only be sustained by the peasants' own means. It is unlikely that the increase in agricultural production will accelerate; it may even decelerate. It is fair to say that the next decade or so will mark China's transition from traditional agriculture to modern agriculture, but constrained by natural and economic conditions, it will be difficult for agriculture to develop as fast as the tertiary industry which requires less fund input or as the secondary industry which already has a solid base; instead, agricultural production will remain at a low ebb.

It is estimated that in the year 2000, China's primary industry will generate 758.834 billion yuan in net output value, accounting for 18.20 percent of the GNP, which will be 10 percentage points lower than in 1990. The GVAO will be 1.24089 trillion yuan, increasing at an annual rate of 4.9 percent a year, 1.5 percentage points below that of 1991. The net output value ratio comes to 61.2 percent, 4.5 percentage points lower than for 1990.

It is estimated that in the year 2010, the primary industry's net output value will be 1.112217 trillion yuan. Its share of the GNP will drop further to 12.3 percent; agricultural production will increase 4.2 percent a year; the net output value ratio will be 59.1 percent, and compared to the year 2000's figures, these represent declines of 5.9, 0.3, and 2 percentage points, respectively. Higher intermediate input in the primary industry, lower net output value ratio, and slower growth rates are common

characteristics of agricultural production found in years 2000 and 2010.

II. Overall, the secondary industry will continue to grow fairly rapidly, accounting for around 50 percent of the GNP, but its internal structure will change dramatically.

The secondary industry is an important part of China's economy. Today and in the foreseeable future, it will continue to account for a large share of the GNP. But the secondary industry involves many sectors where industries have different evolutionary and developmental history; their existing technological standards and the standards of their facilities are different; they have different potential and play different roles in future economic development. Therefore, we should adopt different industrial policies to encourage and protect the development of some while limiting the development of other sectors. Based on their development, we can separate the sectors into the following categories:

A. The first category is the excavation industry which includes the mining, extraction, and dressing of coal, crude oil, and other minerals. As cost rises, their rate of growth will slow. Higher cost and increased difficulty of excavation, influx of foreign resources, and substitutability of resources are the three main reasons for the slowing rate of development of the excavation industry.

1. The extraction and dressing of coal, crude oil, and other minerals is a basic industry supporting the nation's economic development. But the extraction of energy resources and raw materials is constrained by natural conditions, and coal, oil, and other minerals are non-recyclable resources that cannot be reproduced quickly. Every mine and every oil field goes through the same cycle: Start up—brisk production—decline—depletion. As the size of reserve declines, excavation becomes more difficult; it requires more fund input, more advanced technologies and equipment, and more energy consumption. Based on our input-output schedule, the intermediate input consumption rates of these industries will increase every year, and the greater difficulty and cost of excavation will greatly limit their development.

Excavation Industry's Intermediate Product Consumption Rates (%)

Year	Coal Extraction and Dressing	Petroleum and Natural Gas Exploitation	Extraction and Dressing of Other Minerals
1987	35.1	22.9	43.8
1990	53.8	35.1	53.2
2000	63.8	45.8	64.0
2010	68.8	50.8	67.0

2. As the cost of excavation increases, if one makes an international comparison, one will consider making purchases abroad or excavating other similar resources to avoid putting more money and technologies into an industry whose marginal cost is rising at an increasing rate.

3. Coal has always been a major consumption item in China, even though it pollutes the environment and adds to the country's burden of mining coal in the north for consumption in the south. Statistics show that countries that consume mainly coal are all economically backward countries. China must vigorously curtail its proportional coal consumption. Furthermore, to a large extent, China relies on coal and oil for power generation, and as nuclear power makes up an increasing share of energy resources, nuclear power-generated electricity which consumes less resources will replace thermal electricity and will accelerate the upgrading and updating of energy resources. The availability of substitutes reduces the demand for certain extracted products and curbs the development of those sectors.

It is estimated that through the year 2000, the coal, petroleum and natural gas, and mineral extraction and dressing industries will grow 6.2 percent, 3.0 percent, and 10 percent, respectively, a year, making them the slowest-growing sectors in the secondary industry. Their output value as a percentage of the secondary industry will fall from 5.5 percent in 1990 to 3.9 percent in the year 2000. Because of increased consumption of intermediate input, the net output value ratio of these three sectors will fall by approximately 10 percentage points.

The year 2010 basically will see a continuation of the year 2000's downward trend, but the magnitude will be smaller than in the 1990-2000 period, because economic development will be more stable in the decade through 2010; there will be fewer fluctuations. It is estimated that

those three sectors of the excavation industry will grow 5.8 percent, 2.9 percent, and 6.6 percent, respectively, a year, and by that time their total output will account for 3.1 percent of the secondary industry's total output value, 0.7 percentage points lower than in 2000.

The second category, which consists of the chemical, textile, metallurgy, food manufacturing, and other economic mainstay industries, will sustain fairly rapid growth.

If the economy is to develop rapidly, it must nurture and support the mainstay industries which have great impact, high added-value, and substantial market potential, so that they can give impetus to the entire economy.

The textile and chemical industries have a fairly sound developmental base, and they play a prominent part in the industrial sector. Because they require little investment, their cost is low, their technologies are advanced, and they create substantial new value, they have always been mainstay industries that generate high profit and earn much foreign exchange, and they are also important means for accumulating funds. But in recent years, they are being challenged by intense competition in the domestic and foreign markets and by the rapid economic development. Units with relatively backward facilities are becoming less profitable; some units which used to be very profitable have become big money-losers. The state should lend them support via its industrial policy and fund input to sustain and support their rapid growth.

It is estimated that through 2000, the textile and chemical industries will grow 12.7 percent and 12.8 percent, respectively, a year, and from then to the year 2010, they will grow 9.6 percent and 9.7 percent, respectively, a year, making them the fastest-growing of the 19 sectors outside of the tertiary industry.

It is estimated that the food manufacturing and the metallurgy industries will grow 11.2 percent and 11.4 percent, respectively, a year through 2000 and 7.9 percent and 8.0 percent, respectively, through the year 2010. These growth rates only trail that of the textile, chemical, and construction industries in the secondary industry.

Developments in the above four sectors show that the industrial structure will skew toward industries that do intense processing work and have high added-value.

In the third category, the engineering industry's automobile and electronics industries and the construction industry must accelerate their development.

Machinery and electronic products include a broad spectrum of products. There is a fairly large stockpile of

ordinary machine-made goods, and their production should be cut back. But we must accelerate the development of industries that manufacture automobiles, computers, and electronics and communications equipment in order to catch up with and even surpass international advanced standards. The 21st century will be the era of electronics and a high-tech era, and the level of development of advanced and new technologies will be the main criterion for gauging a country's national strength.

The people's future consumption demand mandates that we vigorously develop the auto industry and the construction industry. Today, our cities are full of people at the thousand-yuan consumption level, and they are moving toward the ten-thousand-yuan consumption level. When the people's income reaches a certain level, the next consumption hotspot will be purchases of automobiles and homes for personal use. When cars and commercial housing become household goods, it will create a huge consumer market. Only by rapidly developing those industries can we provide sufficient choices for the consumers, and only then can the country's consumption truly rise to a new level.

There is no forecast of the auto and electronics industries' growth specifically; we do have a general forecast of the engineering industry. It is estimated that through 2000, that industry will grow at an annual rate of 9.6 percent, and 6.7 percent through 2010. Overall, its growth will be slightly slower than that of other sectors.

As an important component of the secondary industry, the construction industry will develop rapidly in the next decade or so; its share in the GNP will increase. It is estimated that it will grow 12.3 percent a year through the year 2000, trailing only the textile and chemical industry and the service industry as the fastest-growing sector. Its net output value will account for 7 percent of the GNP. Through 2010, it will grow at an annual rate of 8.4 percent, and its share of the GNP will rise to 7.5 percent.

III. The tertiary industry should be vigorously developed; its share in the GNP should be increased.

Between 1984 and 1988, China's tertiary industry grew rapidly, at an annual rate of 10 percent, and its share of the GNP rose from 20.4 percent to 25.7 percent during that period. Put compared to the developed countries, we were very backward. In 1988, the tertiary industry accounted for an average of 56 percent of the GNP among the developed countries, and in some countries, it even exceeded 70 percent. Employment in the tertiary industry accounted for more than 60 percent of the developed countries' total employment, which far exceeded that in China. The backward tertiary industry

seriously hampered China's economic development and its industrialization; it was also one of the reasons for China's failure to change its dual, town- versus-country, economic structure.

The economically well-developed countries have clear advantages in the kind of tertiary industry that is capital- and technology-intensive. China has a large population and a huge surplus labor force, and it has a definite advantage in developing the labor-intensive kind of tertiary industry.

To speed up the development of the tertiary industry, we should adopt the following measures:

(1) We should improve the backward organizational format and create a modernized organizational structure for the tertiary industry that meets the needs of socialized great production. At the macro level, there is rampant separatism both vertically in relations with the central government and laterally among the local governments. We do not have a big, national, unified market, and so it is very difficult for funds to flow across different industries and different regions. At the micro level, internalization of services is a serious problem. We must get rid of the existing administrative setup and reorganize the tertiary industry according to the needs of economic development.

(2) We should raise the level of services and strengthen the service system. China's tertiary industry mainly operates at a low level; there are few knowledge- and technology- intensive service sectors. According to GATT statistics, there are more than 150 kinds of services in the tertiary industry internationally, but China is offering only 40-odd types today and is lagging far behind international standards.

(3) We should coordinate and improve the internal structure step by step. Worldwide, the tertiary industry is merging and commingling internally. For example, the financial industry and the telecommunications and information industries are inseparable; tourism and the cultural and transportation and communications industries are intertwined. We must coordinate the industry's internal structure to promote its rapid development.

(4) We should shift the huge surplus rural labor force to the tertiary industry's productive sectors.

China's villages are overcrowded; the per capita income is low. Services needed by urban dwellers are not needed in the villages where the peasants often can supply their own needs. The large rural population limits the service scope of the tertiary industry. If China is to industrialize, it must shift its agricultural population en masse to the nonagricultural sector. The

first choice among industries is the tertiary industry because it is relatively easy to get into. All countries going through the industrialization process will find the proportion of rural population relative to the total population falling while the output value of the tertiary industry as a percentage of the GDP rises. Between 1980 and 1989, China's tertiary industry's output value as a share of the GDP rose from 20.6 percent to 28.1 percent; its rural population as a share of the total population fell from 80.6 percent to 73.8 percent. In the last 3 years, the tertiary industry's growth rate has slowed, and that probably was attributable to the stalled efforts to convert the agricultural labor force. In the future, China's economic development and the tertiary industry's development to a large extent will depend on the progress of rural industrialization and on the speed of the outward shift of the agricultural labor force.

It is estimated that by the year 2000, the total output value of China's tertiary industry will be 2.447986 trillion yuan, with net output value of 1.306047 trillion yuan, accounting for 31 percent of the GNP, which is 3.4 percentage points higher than in 1990. The industry's annual rate of growth will be 12.4 percent, clearly higher than that of the primary and secondary industries.

It is estimated that by 2010, the tertiary industry's net output value will reach 7.158529 trillion yuan, accounting for 35.6 percent of the GNP, a significant increase compared to 2000. The industry's annual growth rate will be 10.8 percent, and cargo transport and post and telecommunications, commerce, and the other service sectors will grow 7.9 percent, 10.4 percent, and 12.4 percent, respectively, which are significantly higher rates than that of the other industrial sectors. Their net output value ratios are 50.8 percent, 29.4 percent, and 58.1 percent, respectively.

Between 2000 and 2010, China's overall economic level will go through a period of sharp rise, and instead of just emphasizing quantity, its economic growth will emphasize both quantity and quality. This will require basic reorganization of the industrial structure to meet a variety of needs as China's turns from an elementary industrialized society into a fairly mature industrialized society. The key to China's reorganization of its industrial structure is the industrialization of the rural economy. The cities should develop new industries and turn the traditional industries over to the villages, and in addition, we must vigorously develop high-tech industries and state-of-the-art industries as well as the tertiary industry. When the above- described economic restructuring is complete, the economy will enter a new phase.

Forecast of China's Industrial Structures in the Years 2000 and 2010

Industrial Tier	Year 2000			Year 2010		
	Total Output Value (100 million yuan)	Annual Rate of Growth (%)	Net Output Value As a Percentage of GDP (%)	Total Output Value (100 million yuan)	Annual Rate of Growth (%)	Net Output Value As a Percentage of GDP (%)
Primary Industry	12,408.9	4.9	18.1	18,802.5	4.2	12.3
Secondary Industry	77,192.3	11.1	50.7	168,355.6	8.1	50.1
Tertiary Industry	24,479.9	12.4	31.2	68,036.2	10.8	37.6

***Rural, Urban, Regional Income Gaps Analyzed**

95CE0536A Beijing JINGJI RIBAO in Chinese
8 Jul 95 p 2

[Article: "Recent Investigation by the State Economic and Trade Commission's Information Center Finds—Resident Income Level Displays Multi-level Pattern; China's Multi-Element Economic Pattern Presents People Living In Different Areas Or In Different Occupations With Different Opportunities"]

[FBIS Translated Text] With the rapid growth of China's economy and further progress in system reform, the income levels of both urban and rural residents has improved, their consumption areas have expanded steadily, and alteration of the consumption mix has sped up significantly. The Forecast and Analysis Division of the State Economic And Trade Commission's Information Center recently completed a survey which shows that resident levels of income, affected by unbalanced economic development and various factors such as policy, nature and history, etc., are growing steadily more different. These differing levels are carrying with them a pluralized structure of consumption, and the contradiction between production and consumption is also beginning to show. This limits coordination of economic development, a problem currently drawing considerable attention.

I. Different Regional Income Levels. Based on the State Statistical Bureau's random sample of more than 30,000 households nationwide: the difference between eastern area residential income and western area residential per capita income has changed from 1.37:0.93:1 in 1993 to 1.41:0.95:1 in 1994 (taking the western area as 1). In the southeast coastal area where economic development has been most rapid, residential income level is higher. The places with the top five average incomes in China are, in order, Guangdong, Shanghai, Beijing, Zhejiang and Guangxi.

II. The gap between urban and rural resident income is increasing. The average per capita cost-of-living expense for urban residents in 1994 was 3,179 yuan, an increase of 36 percent over the year before; after deducting the price factor, the real increase was 8.8 percent. The net average rural residential income was 1,220 yuan, an increase of 32 percent; after deducting the price factor, the actual increase was 5 percent. The gap in income levels between urban dwellers and rural residents increased from 2.54:1 in 1993 to 2.61:1 (taking the rural as 1). The actual income of rural residents is obviously lower than that of urban residents.

	1978	1985	1992	1993	1994
Rural Residents' Net Average Income	134	398	784	921	1,220
Average Cost-of-Living Expense of Urban Residents	316	685	1,826	2,337	3,179
Ratio Between Urban and Rural Residents' Incomes	2.37:1	1.72:1	2.33:1	2.54:1	2.61:1

III. There is a significant difference in income levels between urban and rural residents. In 1994, the gap between the 10 percent of urban residents with the top income and the 10 percent with the lowest income expanded from 3.6-fold in 1993 to 3.9-fold. The average income level of the top 10 percent was 6,838 yuan, which was 39.4 percent more than the previous year; the average income of the lowest 10 percent was 1,735 yuan, 27.6 percent more than the year before. Still more significant is the income of those urban households which are particularly wealthy, it being far higher than this survey reflects.

IV. Superior income in some occupations is becoming more prominent. If we take the average salary level in China to be 100, the average salary relationships for a few major industries is shown below:

	1990	1994
Transport, Telecommunications & Posts	117.8	120.4
Construction	111.7	113.9
Finance & Insurance	97.9	110.4
Industry	102.9	102.8

The average salary level in industry, a leading area, is relatively low, and in addition is showing a declining trend. At the same time, salaries in tertiary industries such as posts and telecommunications, finance and insurance remain in a stable high position, so the income gap between different industries is growing.

V. The differing income levels determine the differences in the consumption direction mix. Income is the base of consumer expense. With a multi-level pattern of household income emerging, a pluralized consumption mix is inevitable.

(1) Consumer expense for food is inversely related to income level. The lower income levels conform to a consumption pattern that pursues the basic necessities, resolving the needs of food and clothing. Those at this level are most sensitive to price rises for food and the necessities of everyday living, and are especially weak when it comes to bearing price rises for the types of food that constitute more than 50 percent of their consumption. The consumption volume of lower income levels when it comes to such major, high quality categories of food as pork, beef, lamb, eggs and fresh milk, etc. is lower than the national average of more than 20 percent, while high income households focus their food consumption on nutrition and health care and selections which are convenient and fast.

(2) Household equipment purchase expenditures increase as income increases. The flexibility index of durable consumer goods such as electronic appliances is greater, and has a strong appeal to consumers to use their surplus purchasing power. The proportion of consumption expense that high income households use for household equipment is higher than that for low income households. High income households have greater flexibility to select goods of this sort; they belong to the trend-following category which pays more attention to upgrading equipment, while the low income households' purchasing behavior tends to lower class products.

(3) Expenditure for non-commercial goods increases with income level. As income level rises, the corresponding consumption pattern develops less in the direction of materials for subsistence and more toward materials for recreation. Household consumption gradually widens in area, and spiritual and cultural life is richer. High income household expenditures for transportation, telecommunications, entertainment, education, cultural services, medical care and other services are higher than those for low income households. When their demand for commercial goods is satisfied, high income households show an obvious trend of shifting toward spiritual consumption.

The report's analysis concludes that given the reality that some well-off household and the majority of the working class coexist with 80 million peasants who are still not out of poverty, different classes show great differences in their consumption tendencies. How to scientifically guide household consumption while purposely regulating the industrial mix has become a topic of importance.

Finance & Banking

Securities Director: No New Stock Exchanges

OW1408112095 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1020 GMT 7 Aug 95

[FBIS Translated Text] Hong Kong, 7 August (ZHONGGUO TONGXUN SHE) — Although there are rumors concerning creation of a third and fourth stock exchange in China, China Securities Administration Director Zhou Daojiong has recently clarified that there are no such considerations.

Currently there are two stock exchanges in China: in Shanghai and in Shenzhen. The Shanghai Stock Exchange was set up just 5 years ago and the Shenzhen Stock Exchange was set up even later. As China's securities market expands rapidly, many mainland cities are also eager to have a try and are striving to run a third and fourth securities exchange.

Nevertheless, Zhou Daojiong recently said to some press media in Hong Kong and Macao that in the short-term, the securities market will focus on standardization and safeguarding normal market order so as to protect investor interests. Therefore, at present we are not anxious to set up another new securities market.

He explained: China's securities market is immature and is still in its period of experimentation. The securities supervision and management system is yet to be straightened out, and the problem of many-pronged management is pronounced. This being the case, the issues of how departments and localities will coordinate and cooperate are still difficult and demand prompt solutions. This year the securities work is focused mainly on straightening the securities management structure, strengthening self-disciplinary supervision and management of securities exchanges, and doing a good job of standardizing management within the securities market.

He pointed out: Although China's securities market has developed rapidly and scored great achievements, it is still beset with many problems, such as that laws and regulations are unsound and they are not enforced strictly; violation of market laws and regulations is frequent; and the quality of personnel working in the industry is mixed. He stressed: To develop the securities market it is necessary to handle the relationship between

standardization and development well, with the former as the prerequisite for the latter, and to ensure the market's overall development accord with the state's overall economic situation, and suit the levels of reform and development in other fields of endeavor.

*PBC Bank Law Termed 'Milestone' in System

95CE0486A Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese 6 Jun 95 No 6, pp 35-37, 40

[Article by Foreign Economy and Trade University, Customs Department's Du Huilin (2629 5610 2651): "Appraisal of People's Bank of China Law"]

[FBIS Translated Text] The People's Republic of China People's Bank of China Law, China's central bank law, was passed by the Third Session of the Eighth National People's Congress, promulgated, and implemented on 18 March 1995. It is the first major Chinese finance industry law since the founding of the country and a milestone in the development of a financial legal system. In the future, the development of the financial legal system will be completed with the implementation of such laws as the Commercial Bank Law, the Negotiable Instrument Law, and the Securities Law. The People's Bank of China, beginning in January 1984, took on the special responsibility of a central bank, but China's specialized banks still are not truly commercial banks and the People's Bank of China is not a central bank in the fullest sense of the term. This promulgation and implementation of the People's Bank of China Law draws on the experiences of various countries combined with China's actual situation and has profound significance for formulating and implementing national monetary policy, curbing inflation, maintaining financial order, and encouraging the development of the national economy, and is a major turning point in China's financial reform. The major issues regarding the law are appraised below.

I. The Position and Nature of the Central Bank

The ownership of the capital of the central banks of the countries of the world is by no means identical. For some such as Germany, France, the Netherlands, Britain, Norway, Spain, and Sweden, it is the state; for some such as Japan, Austria, Belgium, Mexico, and Turkey, it is combined state and private stockholding; and for some such as Italy and the United States, it is totally private stock. But no matter what the form of the capital ownership of the central bank, they all by nature evolve into an agent of the government and become an official organ to promote government monetary policy. All of the capital for the People's Bank of China is invested by the state and belongs to

the state. It is the bank for the centralized issuing of renminbi; it is the government bank; it is the ultimate lender for specialized banks; and when specialized banks encounter ineffective circulation of funds, they can be financed by the central bank through rediscounts and reloan.

With the development of the finance industry and deeper understanding of the relationship of the central bank to macrocontrol of the economy, central bank functions have changed. It no longer is just an issuing bank, a government bank, and a banks' bank. More importantly, it truly formulates and implements monetary policy and maintains the stability of the currency, thereby promoting economic growth. The People's Bank of China Law from the outset has clearly illustrated this point.

The position of the central bank is different for various countries. For some it belongs to the cabinet on a par with ministries; for some it is affiliated with the ministry of finance; and for some it is directly responsible to the legislature, is at an administrative level higher than other ministries, and is on equal footing with the prime minister. But no matter what its affiliation, when it comes to formulating and implementing monetary policy, it has rather great independence. For example, when members of the German federal government participate in the biweekly central bank board meeting, they can make motions but they do not have voting rights. China stipulates that the People's Bank comes under the leadership of the State Council and determines, and after State Council approval, implements the amount of the money supply, the interest rate, the exchange rate, and other important matters specified by the State Council for the fiscal year (Article 5 of the law)," but according to law independently implements monetary policy.

II. The Issue of Central Bank Independence

China is a socialist country and the independence of China's central bank is manifested in the following respects:

1. "It does not receive interference from local governments, departments at various levels of the government, social organizations, or individuals (Article 7)." For a long time, localities and departments at various levels of government, impelled by partial interests, have often interfered in banking business, ordering bank loans and causing some losing enterprises to look on banks as welfare organizations and depend on bank loans, creating a large amount of bad debt for banks. This article specifies that by law banks are legally guaranteed independence in implementing monetary policy and will not be interfered with. Article 48 also specifies that forcing the People's Bank of China to provide loans or guar-

antees "by law will result in administrative punishment for the people in charge directly responsible and other directly responsible personnel and constitutes a crime for which criminal responsibility will be pursued." In addition, the past method of establishing branch organizations of the central bank according to administrative divisions is being changed and the whole country will be divided into a few jurisdictions to establish branch banks and exercise centralized, unified leadership. This way organizationally it casts off the interference of local governments.

2. It does not overdraw for the government treasury and does not directly subscribe or exercise exclusive selling rights to government bonds. All countries have strict limits to the central bank's borrowing from the government treasury. For example, Germany specifies that the bank must not loan to the ministry of finance or local governments at any level; the United States specifies that treasury loans are limited to a few days; Italy specifies that treasury loans are limited to 14 percent of the fiscal year budget; Japan specifies that government loans are limited to small amounts and short periods; France specifies that treasury loans are limited to 3.452 billion francs; and Belgium specifies that they are limited to 16 billion Belgium francs.

Since the 1980s, China's treasury deficit has constantly increased, but the annual deficit figures published are very small and in 1985 there was even a 2.1 billion yuan surplus. The reason was that the treasury overdrew from the bank and the loan was listed as treasury income, forming the situation where the plan squeezed the treasury, the treasury squeezed the bank, and the bank issued a bank note, thereby creating inflation. In the past two years, China has changed past methods and lists actual deficits and uses the issuance of government bonds to make up the deficit. The People's Bank Law clearly specifies that the People's Bank will not grant an overdraft to the treasury, helping the People's Bank to independently implement monetary policy.

3. It does not provide loans and guarantees to local governments or government departments at any level. This regulation blocks the bad practice of local governments and government departments at various levels using administrative power to compel bank loans. Government departments are not economic entities and have numerous debt-free capabilities, and guarantees as far as the bank is concerned are their "possible debts." According to the People's Bank Law, forcing a People's Bank guarantee constitutes a crime for which criminal responsibility must be pursued.

III. Monetary Policy Goals

Countries' monetary policy goals are expressed differently. There are multiple goals, dual goals, and singular goals. Generally there are four major goals: stabilizing currency, full employment, economic growth, and international balance of payments. These four goals also are mutually contradictory. If the unemployment rate is high, it is necessary to use extensive credit and extensive investment to expand the number of people employed, but if interest rates are lowered and the money supply is relaxed, it can easily lead to price rises. What is the point of emphasis in China's market oriented macroeconomic controls? Opinions vary. Some say treasury revenues and expenditures and some say controlling the scale of credit and controlling the scale of investment. Actually most essentially it is controlling the money supply.¹ Inflation is a monetary phenomenon. Only if the money supply is controlled and currency and prices stabilized can the economy experience steady growth, employment increase, and an international balance of payments be guaranteed. So, the goal of the People's Bank of China's monetary policy is a singular goal, "to ensure a stable currency," and use a stable currency to promote economic growth. The recent appeal to the mayors of cities in all provinces to curb prices actually is to keep it from boiling over, not to take drastic measures to deal with the situation, alleviating the symptoms, not effecting a permanent cure.

Based on the situation in foreign countries in recent years, when there is a contradiction between monetary policy and financial policy, first place is generally given to monetary policy. For example, in the 1994 economic recovery in the United States, development was rather rapid, but it created the possibility of inflation (the United States inflation rate in 1994 was 2.7 percent) and six times in succession interest rates were raised to stabilize prices. In March 1995, the United States joint deposit rediscount rate was 5.25 percent and the commercial bank preferred loan interest rate was 9 percent. The German mark was strong and the 1994 inflation rate was 3.1 percent. The interbank short-term loan interest rate was rather high (in March 1995 it was 5.6875 percent) and countries in Europe and America several times demanded that Germany lower interest rates. The German Bundesbank, afraid that lowering interest rates could exacerbate inflation, argued strongly with this justification and was unwilling to lower them. In Japan the 1994 inflation rate was 0.7 percent and in March 1995 the interbank short-term loan interest rate was 2.4375 percent. All countries use interest rates higher than the inflation rate to curb prices rises.

China's situation is contrary to the situations described above. Bank interest rates are not higher than the inflation rate, but are lower than the inflation rate. For example,

	Chinese Inflation Rate (Percentage)	Annual Savings Interest Rate (Percentage)
1988	18.5	8.64
1989	17.8	11.34 (Same as loans)
1993	13.0	7.56 (Before 15 May)
		10.98 (After 11 July)
1994	24.1	10.98

Interest rates lower than the inflation rate are negative interest rates and negative interest rates stimulate the expansion of credit and expansion in the scale of investment and do not help to stabilize currency and curb inflation.

IV. An Instrument for Implementing Monetary Policy

Internationally savings reserves, rediscounts, and open markets are often used as instruments for central bank implementation of monetary policy. If a tight money policy is in effect, the savings reserve rate that commercial banks pay to the central bank is raised, the cen-

tral bank's rediscount rate or reloan rate to commercial banks is raised, or securities are sold on the open market to absorb funds and thereby reduce the money supply.

The savings reserve rate and the rediscount rate determine commercial bank interest rates. The relationship is as follows:

The established savings reserve rate $r=10$ percent The central bank rediscount rate $DR=8$ percent Commercial bank insurance fees and other additional fees $K=3$ thousands.

If a commercial bank savings are 10 billion yuan, the amount that it can loan = $100 \times (1-10 \text{ percent}) =$

9 billion yuan. The commercial bank's preferred loan interest rate = $DR/1-r + K = 8 \text{ percent}/1-10 \text{ percent} + 3 \text{ thousands} = 8.8888 \text{ percent} + 3 \text{ thousands} = 9.189 \text{ percent}$. If the central bank raises the savings reserve rate or the rediscount rate, the market interest rate will go up correspondingly. Conversely, the market interest rate will lower correspondingly.

Countries have different regulations for savings reserve rates. For example, the United States specifies that commercial banks must pay a 6-17 percent reserve on current deposits and must pay 1-6 percent on fixed deposits without computing the interest. In accordance with policy, countries adjust the rediscount rate as necessary. The 2 March 1995 rediscount rate for the United States was 5.25 percent, for Germany it was 4.5 percent, and for Japan it was 1.75 percent.

China's central bank can use monetary policy instruments similar to the central banks of other countries in the world.

Although theoretically and as regards law and regulations, the central bank is duty bound to control the money supply to stabilize the currency, there still are difficulties at China's current stage. If an enterprise has obvious losses or hidden losses, loans should be strictly limited, but not loaning is unacceptable. Worker unemployment can create social problems. Actually if an enterprise has no money to issue wages, it seeks a bank and if funds do not offset debts, and an enterprise does not have funds to start production it also seeks a bank. From 1992 through 1994, investment demand was excessively vigorous and prices rose. The central bank should have tightened the money supply, but departments and local governments, beginning from a limited perspective, for reasons of enterprise survival and social order compelled the specialized banks to increase loans and the specialized banks could only apply for additional loans from the central bank.

Instruments of monetary policy can be summed up in one point, they mainly use interest rates. In recent years, China has carried out a negative interest rate policy and negative interest rates have distorted the rational distribution of funds and have fostered China's craving for fixed investment. Negative interest rates are an extra subsidy for borrowing enterprises. If enterprises "did not borrow for free they did not borrow" and "whoever borrowed benefited." Not only could this not promote improvement in enterprise business management, it increased the overstocking of products. State enterprises depend on bank loans for 80 percent of their working capital. Loans have become disguised subsidies and banks have become the enterprises' "nursemaids." Under inflationary conditions, negative interest rates cause

the broad masses to lose the savings that they worked to earn. Negative interest rates also foster the spread of unhealthy tendencies.

China is transitioning from a planned economy to a market economy and development and standardization of the finance industry cannot be divorced from raising the level of development of the entire economy. It currently still has various limitations and cannot fully play the role that it should, but the promulgation and implementation of the People's Bank Law will ensure that these policy instruments gradually take effect.

V. Control of Financial Organizations and Financial Markets

Supervision and control of financial organizations are different for different countries. Some countries such as Britain, Italy, and Ireland have exclusive control by the central bank; for some it is the responsibility of the ministry of finance; and some such as Germany and Belgium specially establish an independent government organization to control them and also have joint supervision and control by the central bank and other organizations. China specifies that supervision and control of financial organizations and financial markets is exercised by the People's Bank.

The objectives of supervision and control of commercial banks for all countries essentially are concerned with business security, fair competition, and policy consistency. Security is ensuring the reliability of the bank's own deposit and loan security, guarding against commercial banks' closing down; and providing for the interests of the public and financial stability. Fair competition is creating an environment of fair competition for finance industry activity and guarding against monopolies. Policy consistency is maintaining consistency between finance industry activity and central bank monetary policy goals. The principle for all countries' supervision and control is noninterference in finance industry internal business management orientation and business.

China's current situation is that some banks handle trusts, securities, and insurance business; insurance companies engage in issuing of credit and securities transactions; trust investment companies covertly absorb deposits and provide loans; and securities companies covertly engage in savings and loan business. So, recently the focal point of the People's Bank's supervision and control has been to firmly control the dividing up of the finance business, clearly stipulate that banks and trust, securities, and insurance companies not mix business, and resolutely curb such chaos as indiscriminate raising of funds, indiscriminate short-term loans, arbitrary raising of interest rates, and indiscriminate approval of the establishment of financial organizations.

Briefly, the implementation of the People's Bank of China Law will guarantee by law that the People's Bank has the authority to carry out its duties as a central bank and will play a positive role in stabilizing the currency, standardizing financial activity, and the growth of the economy.

Footnote

1. Money supply and cash (bank notes) in circulation are not one and the same. For example, in 1985 United States cash in circulation was \$188.371 billion and the money supply was \$3.1634 trillion. Cash made up 6 percent of the money supply. At the end of 1985, the Bank of England announced that cash in circulation was 12.536 billion British pounds and the money supply was 120.922 billion British pounds. Cash made up 10 percent of the money supply. At the end of March 1986, China's currency (bank notes) in circulation was 89.879 billion yuan and the money supply was 532.759 billion yuan. Cash made up 16.87 percent of the money supply.

*Strategies To Solve Local Bank Problems Noted

95CE0452A Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese 5 May 95
No 5, pp 14-17

[Article by Liu Changqi (0491 7022 6386) and Wang Zhouqiu (3769 0112 4428): "Strategies to Solve Transformation Problems of Local Banks"]

[FBIS Translated Text] The county-level branch of a commercial bank is the most basic, most essential business organization within the banking system. Solving the problems encountered in the commercialization of the county-level branch no doubt will have enormous significance for banking reform as a whole. Based on the situation in the Bank of Industry and Commerce in Guantao County, Hubei Province, and revolving around the problems encountered in reform in recent times, we propose these appropriate strategies for comment by our colleagues.

Difficulties Facing Local Banks

1. Lack of diversity in credit properties. Limited ability to spread the risk. Quality of assets declining but risk content of assets rising year after year. All this is too much for the local bank to handle.

Loans of all types accounted for 72.5 percent of the bank's total assets in late October 1994. Besides funds deposited at the managerial bank above and reserve fund and provisional fund paid as required under the law, the local bank has practically no investment and marketable securities. The lack of diversity in its assets is at odds with prevailing international practices in terms of both liquidity and safety. As far as loans are concerned, there

has been always been a limit on the total amount of lending along with a system of command management. When the local bank needs to make more loans, it must apply for a quota to the bank above. The bank above, for its part, typically distributes what limited loan quotas it has in such a way that nobody is left out. There is no scientific management method, causing loans to increase haphazardly. The loans made by the local bank to the enterprise may end up in part as the latter's basic capital, never to be repaid. Some become part of the enterprise's losses, either open or hidden. Some are tied up in unsold goods. And some may be used by the enterprise to cover policy-induced losses or to pay taxes to the government. The upshot is that credit funds are used to meet fiscal needs. All of this means that large numbers of loans become bad loans or uncollectible loans. According to statistics, as of late October 1994 the bank had 10.57 million yuan worth of bad loans and 4.73 million yuan worth of uncollectible loans, 25 percent and 11 percent, respectively, of its total loans and significantly higher than the control targets of 5 and 2 percent, respectively. It is particularly worth noting that since China is in the middle of an economic transition, there is a host of underlying contradictions which has yet to be resolved. The legal system is not perfect. In the name of transforming their mechanism and creating a modern enterprise system, some enterprises have sought to avoid repaying their bank loans through leasing, contracting, mergers and acquisitions, splitting up, creating accounting subunits, or simply changing their names. Bank loans are in danger of becoming uncollectible and lending has become more and more risky. After the "Bankruptcy Law" went into effect, in particular, some enterprises had gone bankrupt because they had more liabilities than assets. The loans these enterprises had taken out earlier thus became uncollectible. Enterprises bankruptcy is set to become part of the normal economic life in China as it builds a socialist market economy. Bank loans also will end up as sour loans with increasing frequency. If we do not find a way to arrest this trend, the credit assets of the local bank will no doubt be even more heavily eroded and may push state banks into bankruptcy, which would deal a heavy blow to financial reform and development.

2. The local bank has been severely handicapped by the high costs of liabilities, low returns on assets, and a mismatch between interest rates banks charge on loans and those they pay on deposits.

Constrained by their poor quality, the returns on credit assets have been deteriorating daily. The amount of interest payments that is due but not yet paid has shot up year after year. According to statistics, assorted loans by the bank rose 16.3 percent annually on the average

during the past 3 years, while uncollected interest payments soared 51.2 percent every year. Among the more tangible expressions of this phenomenon are the following: more and more enterprises have now fallen behind in their interest payments, owing more and more money for an ever-lengthening period of time, directly affecting the local bank's bottom line and lowering the earnings to loan rate from 8.59 percent in 1991 to 4.69 percent in 1993, for an average annual drop of 1.3 percentage points. In contrast, the costs of short-term loans have remained stubbornly high for years. Turning to interest rates on deposits, the bank is paying interest on 1-year deposits at the annual rate of 10.98 percent, not enough to cover operating expenses, taxes, profits, and negative interest on provisional fund and reserve fund. According to an analysis of the bank's savings deposits costs and earnings in 1993, savings liabilities alone made up 80 percent of its total liabilities, the savings costs rate was 9.499 percent, and savings earnings rate was 8.993 percent, yielding a negative interest rate of 0.506 percent, or 214,000 yuan. The share of fixed deposits has been rising since 1994. There is a lack of diversity in its mix of assets and liabilities. The contrast between the high costs of liabilities and the low returns on assets has become more pronounced. As of late October, the bank had run up losses totaling 860,000 yuan. For the first time ever in its history, the bank ended the year in the red. Needless to say, more than the mismatch between interest rates is to blame for this situation. Also implicated is the existing credit planned management system. Under this system, funds and the plan are separate and scale and funds come under "dual control," precluding the implementation of the principle that "the sources of funds should determine the way the funds are utilized." It is true that we are now moving from simple scale management to assets to liabilities ratio management within a system of loan quotas, but the bank is still subject to the dual constraint of fund allocation. Even when its deposits are rising sharply, the bank cannot lend more money, its hands tied by loan quotas. Meanwhile it has to shell out more money in the form of interest payments on deposits. And when there is an excess of loan quotas but not enough funds, the bank has to raise interest rates, at a steep cost to its bottom line, to attract depositors. Only when it is equipped with high-cost funds can it then proceed to utilize its loan quotas. This chain of events results in the bank operating at a loss. It sets up a vicious circle, severely hampering the development of local banks and the reform of commercial banks.

3. The operations of a local bank are divorced from its accounting system. The result is eating-from-the-big-rice-pot distribution, which dampens the local banks' enthusiasm to do business.

Under the existing system, a Level 2 branch bank is a Level 1 independent accounting unit. It has managerial power and is in charge of setting the profitability target and rate of retention. However, it is not involved in actual banking operations. The local bank does offer a range of banking services directly and reflects the bank's economic performance but is not an economic entity. It cannot conduct independent accounting for its business operations and profit distribution. Because administrative divisions do not coincide with the geographical distribution of bank branches, the managerial bank has no choice but to resort to administrative tools to impose its decisions on the distribution of interests so that the entire jurisdiction benefits from the profits. As a result, in the case of some local banks, the higher their income from interest differential, the lower their rate of profit retention. When profit and profit retention increase at different rates, it is difficult to develop a genuine profit restraint and incentive mechanism, which in turn hampers the development of local banks. As far as expenses are concerned, the managerial bank practices planned management, using the number of employees to determine the allocation target and effecting control through the comprehensive costs rate. Our experience shows that this practice is unproductive. To ensure a high base figure and fight for a higher target for the coming year, the local bank is naturally tempted to exhaust the spending target already handed down to it in every way possible. To a large extent it has encouraged extravagance and wastefulness, a typical case of "eating from the big rice pot." Moreover, personal spending has gone up sharply as a result of wage reform. And then there is centralized automation. The overall effect is that rarely are the spending targets handed down by the managerial bank complied with. Under these circumstances, the loss of control on spending is inevitable. This puts the local bank in a passive position, one which is not conducive to its developing a sense as an independent interest body and a sense of risk-taking, but is on the contrary detrimental to its enthusiasm.

4. Obsolete thinking exists side by side with the poor caliber of bank personnel, causing a decline in the standard of bank operations and management.

The transformation of specialized banks into state commercial banks is absolutely not a mere change in terminology, but a complex piece of systems engineering. Right now these are the major ideological and conceptual issues:

1) A business philosophy characterized by inertia. State banks have a dual nature. On the one hand, they discharge policy-related duties and responsibilities. On the other hand, they are in the banking business. A state bank is used to following plans and commands

and adjusting its behavior to please the government, the bank at the higher level, and unit leaders. It has neither the courage nor the inclination to object to "daimao" loans. The result is rigid inertia.

2) Local banks seldom think in terms of making a profit or taking risk. There is no self-discipline in the use of funds. Its eagerness to lend money is not equalled by an enthusiasm for management or an eagerness to recover the loans.

3) The bank is not competition-minded. It is slow to offer new business services. Its market share has been on a downward slide.

4) Its legal consciousness is underdeveloped. It is true that financial legislation is still not complete as of to date, but the bank often does not follow the rules even when there is a law on the books. In collecting debts and interest, for instance, it is overly vulnerable to social and personal pressure. It would rather go back and forth a hundred times than demand a loan be repaid in accordance with the law. The result often is that an excellent opportunity to clear up debts is missed.

5) There is no appreciation for qualified personnel. Highly trained people are few and far between and the quality of the personnel is low. There is no continuing education to update their skills. Employees are not well educated enough to meet the needs of transforming the financial system.

Strategies

1. Update our thinking and create a new philosophy for state commercial banks.

To update one's thinking is to break with the philosophy of the planned economy and product economy of the past and, in light of the demands of the commodity economy and the principles of the market economy, put together a new philosophy that meets the needs of modern commercial banking and is consistent with the international financial industry. Updating one's thinking is an even more massive and arduous task in the commercialization of specialized banks. It will have a most critical impact on the success or otherwise of reform. In our opinion, we need to establish these three concepts at a minimum.

First, the idea of "profit first." When a bank goes after deposits and raises funds, it must think in terms of improving the return on funds. Put an end to the traditional concept of "deposits first" once and for all. Investment in credit assets must abide by the principle of combining safety with liquidity and profitability. For years in the past, we subscribed to the notion born of the product economy that the government should be the

sole supplier and sole manager of loans. That concept must be discarded and replaced by a new concept of funds following the market and the market following profits.

Second, the concept of operating cautiously but steadily. The bank should on its own initiative resist the tendency to pursue the maximization of the total volume of business and the rate of growth thoughtlessly. It should take pains to improve the quality of its assets and liabilities. It should eschew the short-sighted behavior of paying attention only to narrow near-term interests. Instead it should be mindful of the overall profitability of its assets to liabilities ratio and long-term interests and correctly handle the relations between risk and profit. It should make fewer subjective assumptions in its operations and conscientiously comply with the law of economics as well as all economic and financial laws and regulations.

Third, the concept of competition and development. Steadfastly struggle for survival and pursue development amid competition.

2. Establish a management mechanism centered on risk avoidance.

To transform itself into a state commercial bank, a specialized bank must introduce assets risk management in accordance with the demands of the market mechanism and in line with the usual practice of commercial banks. Through the standardized and quantified management of assets risk, it should control the risk content of assets and establish an assets preventive management system to avoid, limit, scatter, and monitor risk in order to lower assets risk and improve assets quality. First of all, it should determine the amount of lending and where the loans should go in accordance with the national industrial policy and the law of market supply and demand. It must be firmly market-oriented in its lending and make the marketability of a product a precondition for a loan. With the enhancement of profitability as its goal, it should work to support the outstanding and restrain the weak and use efficiency as its yardstick to decide whether or not to grant a loan. Second, it must establish and improve an enterprise credit assessment mechanism and develop a sound lending classified management method. Third, introduce loan collateral across the board and ensure that a borrower has the ability to repay the loan. This should be made retroactive for all existing enterprise loans with no exception. Also, it should make sure that both formalities for new loans and retroactive procedures for old loans are legally binding. Fourth, create a credit quality monitoring system led by the auditing department. Adopt a democratic management and supervision system under the leadership of

the bank president. Standardize internal operating procedures conscientiously. Finally, it is proposed that the "Bankruptcy Law" be amended and improved to protect state credit assets. New provisions should be made to spell out the conditions for and procedures of enterprise bankruptcy, the order in which debts are to be paid off, and the penalties for breaking the law. In particular, it should state explicitly that a court must be presented with a written opinion from the creditor bank before it can declare an enterprise bankrupt. Before deciding to allow an enterprise to go bankrupt, the department in charge and the local government involved must secure a written agreement from the creditor bank. Otherwise, they would be regarded as breaking the law and dealt with sternly.

3. Take effective approaches to lessen the burden on the local bank by handling existing loans properly.

To do something about the existing bank loan assets burden is essential to protecting the bank against credit assets risk. It is also something that needs to be done urgently in order to transform specialized banks into state commercial banks. As we see it, the situation should be handled on a case-by-case basis depending on the circumstances. In one approach, loans taken out in the past by enterprise that have since closed, suspended operations, been merged or acquired, switched to another line of operations, or gone bankrupt should be paid off. This should involve the governments at all levels taking the lead and working with the department in charge and the bank to sort out the enterprises' assets. Where repayment is impossible, the liabilities should be passed on to the department in charge or the enterprise that has bought up the old entity. Alternatively, they may be converted into bank funds used for purchasing bank shares or bonds. In those cases where the loans cannot be passed on to the department in charge or the successor enterprise or be converted into bonds, the bank may treat them as guazhang and apply to the People's Bank for a low-interest guazhang loan. Or it may borrow guazhang working funds from the treasury to be paid off when the enterprise clears up its debt with the bank. A second approach has to do with fiscal or policy-based loan assets, such as loans taken out by enterprises to procure grains, cotton, and cooking oil. Although the Bank of Industry and Commerce has been relieved of this burden, there is still a fund shortfall. How to close the gap? We may consider giving to the enterprise that portion of funds that the finance department owes it. The enterprise then should pay to the specialized bank an amount equal to the policy-based loan. The third approach concerns loans on which interest payment has been suspended. If the local bank still fails to collect such loans after repeated attempts, they should be writ-

ten off to relieve the bank of the heavy burden and lessen the pressure on it. Fourth, increase the withholding ratio for bad loan reserve fund and uncollectible loan reserve fund as appropriate to accelerate the cancellation of such loans. Loan cancellation work should concentrate on making a timely report each year. Omissions, delays, inaccuracies, and abuses in reporting should be strictly eradicated.

4. Perfect a self-discipline, self-regulatory and control mechanism. Introduce bona fide assets to liabilities ratio management.

An urgent mission at the moment is to develop a practical and feasible method in accordance with the demands of the Basle Agreement. By setting a ratio between capital and credit risk, deciding on a minimal capital ratio, and tightening the regulation, control, and management of state banks, we could turn them into socialist state commercial banks that truly operate in accordance with international practices, exercise decision-making authority in their operations, assume risk on their own, are accountable for their own profits and losses, balance their own books, and are capable of self-development. Not only will this help expedite the adjustment of the mix of loans and steer them into areas where they can be put to the best use, thereby boosting the socialist and economic payoffs of credit funds, but it will also help enhance the local bank's self-discipline and self-regulatory control capacity, making it easier to transform its operating mechanism and end the practice of "eating from the big rice pot." In the short haul, we must strengthen dual management, that is, management of assets and management of liabilities. As far as the former is concerned, the goal is to bring about assets liquidity, safety, and profitability and reconcile one with the others in the interest of profit maximization. The main thing is that assets must take other forms besides loans. To do that, we must open up new lines of business: securities, investment, real estate, and the issue of credit cards, as well as loans. There should be an intelligent mix of assets in different forms and at different rates of return. Assets diversification will spread out the risk and ensure that funds are put to the best use. As for liabilities management, we should focus on raising short-term funds from a variety of channels and put together a sound mix of liabilities. Right now we should work hard to develop intermediate operations. Intermediate operations are both a key revenue-generating channel for a commercial bank and a way to optimize deposits liabilities, which would help lower liabilities costs. At the same time, auditing and supervision must be intensified. Special checks on the implementation of assets to liabilities ratio management

should be carried out at regular intervals to ensure that the bank's overall goals are being met.

5. Reform the financial management system to end the practice of "eating from the big rice pot" in operations and management.

As one part of the bank which actually offers all sorts of banking services, the only way in which the local bank can mobilize its workers' enthusiasm is to integrate operations with management and link the workers' own personal interests to the bottom line. Accordingly, we must begin by ending the present dissociation between operations and accounting and getting rid of the "big rice pot" phenomenon in distribution. We must strengthen the interest mechanism, liberate and empower the local bank, and create an independent accounting system whose unit is the local bank. Second, we must change the expenses distribution method in the quota system and put together an assessment system centered on profit targets. Give the local bank all the decision-making authority it needs in its operations and management. Allow it to become part of the big wave on the market economy and develop on its own.

6. Improve the employees' quality in response to the needs of reform.

"The CPC Central Committee Decision on Certain Issues Relating to the Building of a Socialist Market Economy" says, "The creation of a socialist market economy and the achievement of modernization will ultimately depend on the improvement of the caliber of the nation's population and the training of qualified personnel." This makes clear the strategic place of employee education in the commercialization of specialized banks. We believe we should work out "Employee Education Regulations" without delay to spell out in no uncertain terms the principles, organizational formats, methods, and procedures of employee education as well as the rights, obligations, and legal responsibility involved so as to put employee education work on a standardized path and within a legal framework. In view of the fact that the local bank is directly involved in banking services and is multi-disciplinary in that it touches upon a multitude of areas in economic and social management, we should make the grass roots the focal point of employee educational work. We should nurture qualified personnel vigorously and respect them. Select and use qualified personnel in the course of development and opening up new territory. Improve the caliber of all its employees and create a corps of experts in computer operations, science and technology development, information research, international banking, and assets appraisal who are also ideologically correct, professionally pro-

ficient, and managerially competent. Such a corps of workers will help deepen and further financial reform.

Foreign Trade & Investment

Shandong Province Receiving 'More Overseas' Money

OW1508114095 Beijing XINHUA in English
0933 GMT 15 Aug 95

[FBIS Transcribed Text] Jinan, August 15 (XINHUA) — More overseas money is flowing into the transport and energy fields in east China's Shandong Province, though manufacturing still takes the lion's share.

Overseas investors are seeking opportunities in wider areas in Shandong, such as infrastructure construction, agriculture and service industries, into which the Chinese government aims to channel more direct foreign investment.

In the first half of this year the local government approved 48 foreign-funded projects in the areas of farming, forestry, fisheries, animal husbandry and water conservancy, using a contracted overseas investment of 78 million US dollars.

Still, the manufacturing sector took the lead in drawing foreign funds. From January to June 900 such enterprises gained approval, bringing in 1.28 billion US dollars.

Statistics show that the province gave the nod to 1,185 foreign-funded projects in the first six months, using contracted foreign investment totalling 1.8 billion US dollars. Both figures were slight drops compared to the same period of 1994, while the actual use of foreign funds rose by 30 percent, to 1.2 billion US dollars.

Foreign investment mainly goes to coastal or inland open cities, including Qingdao, Yantai, Jinan, Weifang and Weihai; while inflow into the once underdeveloped western part of the province has risen swiftly.

Overseas investors mainly come from Hong Kong, the Republic of Korea, Taiwan, Japan, the United States, Germany and Britain.

Guandong SEZ Upgrading Infrastructure

OW1508082195 Beijing XINHUA in English
0707 GMT 15 Aug 95

[FBIS Transcribed Text] Shantou, August 15 (XINHUA) — Jieyang City, a native home of overseas Chinese in south China's Guangdong Province, has achieved rapid economic growth in recent years, thanks to its successful efforts in upgrading local infrastructural facilities.

Jieyang has utilized an overseas investment totalling 590 million US dollars since it was given a city status three years ago.

The combined output value of its rural enterprises reached 15 billion yuan last year, redoubling the figure of 1992.

According to local officials, the city has poured 8.7 billion yuan into construction of basic facilities such as in the fields of energy, transportation and telecommunications since 1992.

Program-controlled telephone lines have risen to 275,000. And the telephone numbers have been upgraded to seven digitals.

In addition, ten major roads in the new urban area have been improved.

Tianjin's Oil Casing Pipes Meet 'Advanced' Standards

OW1508110295 Beijing XINHUA in English
0943 GMT 15 Aug 95

[FBIS Transcribed Text] Tianjin, August 15 (XINHUA) — The Tianjin Steel-Tubing Corp has produced oil casing pipes of advanced international standards.

The pipes are used in the industries of oil, metallurgy, hydro-power and ship building.

China invested 12.3 billion yuan (about 1.5 billion US dollars) to build the Tianjin Steel-Tubing Corp.

Products of the corporation have been approved by the American Petroleum Institute [API] to use the "API" mark.

In April last year, oil casing pipes produced by the corporation successfully drilled a well with a depth of 3,700 meters in the Tarim Basin in northwest China's Taklimakan desert.

The corporation also exported its products to Singapore, the United States and Canada.

Liaoning's Jan-Jul Exports Increase 28 Percent

OW1508074495 Beijing XINHUA in English
0703 GMT 15 Aug 95

[FBIS Transcribed Text] Dalian, August 15 (XINHUA) — From January to July this year the total export volume of northeast China's Liaoning Province hit 4.711 billion US dollars-worth, up 28 percent compared to the same period of 1994, it was revealed at a meeting on Liaoning's foreign economic and trade activities here.

This increase is attributed to exporting more popular items and upgrading commodities so as to raise export

prices, according to Gao Guozhu, deputy governor of the province.

The export volume of many highly-marketable goods such as steel products, pig iron, zinc ingots and magnesite has doubled or redoubled.

Statistics show the export of steel products increased by about 980,000 tons so far this year, up 80 percent over last year's increase.

In order to enhance export prices some quota commodities are exported through open tender, which has tended to put an end to the previous low-price competition.

As a result, the index of export prices of the first half of 1995 rose by 18 percent, surpassing the national average.

Gao added that the local authorities also resort to processing goods from buyers' materials and other new trading methods to increase export volume.

Besides, industrial enterprises and foreign-funded enterprises in the province also contribute a great deal to the booming export trade.

In the first half of 1995 alone, the export volume of the industrial enterprises increased by 390 million US dollars-worth and that of the foreign-funded ones hit 916 million US dollars-worth, up 20.3 percent over 1994.

Agriculture

Guizhou Witnessing 'Rapid' Agricultural Growth

OW1508074395 Beijing XINHUA in English
0702 GMT 15 Aug 95

[FBIS Transcribed Text] Guiyang, August 15 (XINHUA) — Agriculture in southwest China's Guizhou Province has witnessed rapid growth during the past several years thanks to efforts made by the local government to promote the development of agricultural technology.

Statistics show that in 1994 the grain output in the province topped nine million tons, and the per-capita net income for the rural population reached 700 yuan.

Agriculture in Guizhou used to lag behind the country's average standard, resulting from unfavorable natural conditions and outdated agricultural technology.

To help raise the agricultural output in the province, the local government has spared no efforts to raise the technical abilities of farmers while promoting new and improved varieties of animals and plants and the use of advanced agricultural techniques.

So far, some 3.63 million, or 24 percent, of the total number of farmers in the province have been trained to become agrotechnicians, official statistics show.

Meanwhile, more hybrid rice, cotton and rape have been planted in the province, leading to a high rise in the output of these crops.

In 1990, the province started trial project on high-yielding crops production. Covering nearly 300,000 ha [hectares] of cultivated land, the project will be carried out annually in the next few years, according to the local government.

In addition, a batch of technological programs have been launched with the support of the United Nations World Food Program during the past few years.

***Survey of Hubei's Investment Examined**

95CE0520B Wuhan HUBEI RIBAO in Chinese
11 Jul 95 p 8

[Article by Zhang Zhenlong [1728 7201 7893]: "Guide the Peasants in Increasing Agricultural Investments—An Analysis of a Survey of the Investment Behavior of 100 Peasant Households in 3 Counties and Cities in Hubei"]

[FBIS Translated Text] This reporter recently conducted a sample survey of the investment behavior of 100 peasant households in Gonggan, Shishou, and Jianli counties and found that some peasants' behavior contradicted today's trend of "big on agriculture and big agriculture."

1. *On the peasants' devotion to their land.* When asked, "What is your family's main source of income?" 52 percent said, "the land"; 48 percent were "part-time" farmers; and 16 percent said that their families of 4-5 members depended on a few mu of land for survival and that land was their most basic "social security." When asked, "What is your attitude toward investing in enterprises?" 17 percent were in favor; 23 percent "like the idea but worry about losing money"; 27 percent were "not sure"; and 33 percent were against the idea.

2. *On their competitiveness over non-productive investments.* The survey showed that 22.1 percent of the households had invested more than 4,000 yuan in their homes, and each was fancier than his neighbor's; 25.4 percent had spent more than 300 yuan to repair ancestral tombs and build temples; 49.3 percent had spent anywhere from a few hundred yuan to several thousand yuan on lavish entertainment to celebrate birth, baby's one-year-old and ten-year-old birthdays, weddings, and house warming as well as on elaborate funerals; 85.4 percent of the peasant households admitted to gambling, and a handful even admitted to being big gamblers and being heavily in debt as a result; 73.3 percent said their

gift expenses exceeded 200 yuan a year, and 9.1 percent said gifts cost more than 1,000 yuan.

3. *On their desire for quick success and immediate profit.* 67.6 percent of the households were unwilling to invest in projects to repair reservoirs, dredge culverts and build dams, dig drain ditches, repair roads, or repair small power stations; 61.9 percent admitted to "predatory" practices that depleted the land of its fertility; 87.5 percent of the peasant were willing to invest in projects that were "short-termed, cheap, and quick to generate return"; they were strongly motivated in "investing in whatever that makes money." Only 12.5 percent were willing to make investments in agricultural production projects that were long-termed, risky, and slow to generate return.

4. *Their concern about risky agricultural investments.* When asked, "If all your neighbors are investing in some productive activities, what would you do with your own investment?" 37.9 percent said they would "do what the others do and invest in the same thing"; 19.7 percent said they would "invest in something else"; 32.4 percent said they "would not invest in anything." When asked, "When you are planning to make a substantial investment, what is your biggest concern?" 50.8 percent said they worried about "making a mistake and losing the money"; 21.6 percent said they "worry about mismanagement"; and 28.4 percent said that "too large an investment might jeopardize the family's standard of living."

5. *Their worry about the rural policies changing.* In ranking their "gravest concerns," 29 percent of the peasant households cited "unstable policies"; 23 percent cited "the cadres' improper work-style"; 19.4 percent cited "soaring prices of agricultural capital goods"; 17.6 percent cited "excessively low price of agricultural and sideline products"; and 11 percent cited "making more money" as their main concern. When asked, "Do you think the state policies will change?" Only 24 percent were certain that they would not, but many more said, "it is hard to say." When asked, "Does the state pay sufficient attention to agriculture?" 15 percent said, "yes"; 19 percent said, "somewhat"; 24 percent said, "not sure"; 18 percent said, "only superficially," and 14 percent said, "not at all."

There are subjective as well as objective reasons behind the peasants' thinking, but they pose an ideological obstacle to any increase in agricultural input. Therefore, party committees and governments at all levels should pay close attention. They should focus on the important points, begin with the small tasks, and correct some of the improper thinkings and guide the peasants' input in agricultural production.

One, *further stabilize rural policies*. We must further stabilize the family-based, output-related contract responsibility system and encourage the peasants to expand the scope of operation to take advantage of economies of scale. We should skew the policies even more toward agriculture, implement more aid-agriculture and protect-agriculture policies, and make sure that the policies to procure agricultural products and supply agricultural means of production and other related policies are in place. We should reduce the "scissors differential," so that the peasants can increase output and increase income. We should further promote those policies that let agriculture and rural non-agricultural sectors grow at the same pace and gradually promote the integration of agriculture, industry, and commerce and make sure that the peasants share the fruit of successful nonagricultural undertakings.

Two, *increase the state's and the collectives' agricultural input in a reasonable way*. Governments at all levels must be more conscious about agricultural input; they must increase agricultural input in proper proportions and gradually set up a normal functional mechanism that clearly specifies the input entities, formats, and the relationships among various responsibility systems. The use of agricultural input funds must be properly supervised and controlled, so that special funds are reserved for special use to prevent people from "plucking the goose." We must make sure that the aid-agriculture funds allocated by governments at all levels are truly spent on agricultural production and basic agricultural constructions. The villages' collective input mechanisms should be rebuilt; efforts should be spent on agricultural water conservancy projects and rural resource development and other shared, long-term, basic construction projects, so as to create a good tangible investment environment for the peasant households.

Three, *work diligently to improve rural socialized services*. We should wrap ourselves around every phase—before, during, and after production—and provide good seeds, market information, agricultural insurance, agricultural means of production, capital, technologies, machinery, plant protection, livestock protection, and other services and work on the storage, transportation, processing, and procurement of agricultural products as well as the protection of the peasant households' legal rights and privileges and so on. We should go on "four-wheel drive" and let the cooperative-district joint economic organizations, the state specialized technology departments, the profit-oriented companies, and the peasant-run service organizations supplement and compete with each other, so that the peasants can enjoy comprehensive and quality service and maximize the overall effects.

Four, *discipline the government's behavior*. Today, the important thing is to ease the peasants' burdens; we must stop doing "good deeds" which in effect are scams that take money away from the peasants. We should promptly formulate and perfect the local rules and regulation and administrative laws, discipline the conduct of town and township and village governments and other grass-roots organizations, and let the government establish a fine image among the peasants.

Five, *strengthen rural spiritual civilization*. We should publicize rural policies, guide the peasants in overcoming their conservative complacency, and change their "keeping-up-with-the-Joneses" mentality, so that they truly learn that only by increasing income and expanding reproduction can they increase their wealth. We should emphasize the propagation of practical farm technologies and education and training, guide the peasants in using science in growing crops and in cultivation, and raise their scientific, technological, and cultural standards, so that they make use of science to gain wealth. We should work hard on training and propaganda to educate the typical peasants on increasing input to increase wealth and guide them in shifting their investments from useless nonproductive projects to useful agricultural production projects.

***Hebei Issues Agricultural Investment Regulations**
95CE0520A Beijing Nongmin RIBAO in Chinese
14 Jul 95 pp 1, 4

[Article by reporter Sun Luwei (1327 7627 1218): "Follow the Law in Increasing Agricultural Input—Hebei Introduces Agricultural Investment Regulations"]

[FBIS Translated Text] The introduction of the "Hebei Provincial Regulations on Agricultural Investments" this year marked an important agricultural event in the province. Recently, this reporter interviewed members of the provincial people's congress and financial administration and learned of the important role these regulations play in safeguarding the province's agricultural input.

The outdated water conservation facilities and the diminishing farmland have caused Hebei's agricultural development to stall. In order to escape the fate of "looking to heaven for survival," the province must "first, rely on policies; second, rely on technologies; and third, rely on input." But the most crucial element is to be "resolute in increasing agricultural input." But how resolute do we have to be? This year the governor responsibility system has put the burden squarely at the provincial level. In July 1993, the state promulgated the "Agricultural Law" and made laws the criteria in supervising the government's agriculture-related conduct. Hebei

acted in accordance with the situation and decided that following the law to increase agricultural input was the "golden key" that could ease the province's agricultural hardship. After a year of hard work, the "Regulations" were ratified and promulgated by the 12th Session of the Standing Committee of the 8th Provincial People's Congress on 8 February 1995. It was the province's eighteenth set of local regulations pertaining to the agricultural economy.

What made this set of regulations different from all earlier agricultural-economic laws and regulations was that it was the only set of regulations spearheaded and drafted by the provincial people's congress; it was the only set of regulations that triggered heated disputes during the drafting process. The crux of the dispute was over the question of fund sources; the heart of the conflict was whether percentages should be stipulated. Without fixed percentages, the regulations would be meaningless, but to set percentages and be unable to meet them would be like having the carpenter make his own shackles. Studies were made, the budget was reviewed again and again, and every attempt was made to meet General Secretary Jiang Zemin's request to "raise agricultural investments to a reasonable level." When the preliminary draft was handed to the government for debate and amendment, the clause, "All or most investments in basic construction of large-scale water conservation projects not serving agriculture should be planned elsewhere and should not take up agricultural investment," was deleted, and thereupon the standing committee launched a series of debates. Its opinion was that if most investments in basic agricultural construction were to be in water conservation projects, when the "Divert Changjiang" and "Divert Huanghe" projects began in the future, there would not be enough money even if all basic agricultural investments were spent on those projects, and then there would be no money left for agriculture, forestry, animal husbandry, and fishery. In addition, it was pointed out that large-scale water conservation projects not only served agriculture but more importantly they served urban water consumption; they were a part of the infrastructure and a basic industry in the national economy and national development and should be put under a special budget. During ratification, that crucial clause was rewritten in the following way: "When building large water conservation projects, agricultural input should be properly increased, and funds should be raised from multiple channels."

The new situation requires agricultural input to take up a large share of the province's own budget. The "Regulations" makes the following stipulations regarding the province's regular agricultural investment; they have significant impact on agriculture: 1) Basic agri-

cultural investments should account for more than one-third of all basic investments budgeted at the local level. 2) Expenditures to aid rural production and agricultural, forestry, water, and gas undertakings should be at least 12.5 percent of the total financial expenditure. 3) At least 35 percent of the centrally budgeted expenditures on the three kinds of scientific and technological projects should be agriculture-related. 4) Spending to tap potential and upgrade agricultural and forestry enterprises should make up more than 10 percent of all expenditures for tapping potential and upgrading. Some of these percentages are restoration of old standards while others are slight increases over recent averages; they are reasonable and feasible.

The provincial people's congress's vice chairman, Ning Quanfu [1380 0356 4395], told the reporter that in the past, the province tried to increase agricultural input as much as possible, but today, it increases agricultural input according to the law; it will be a violation otherwise. The province's budgetary priority is to safeguard wages, stability, aid-agriculture undertakings, education, and the readjustment of the industrial structure while taking care of industrial development, in that order. At the provincial level, the budget weighs heavily toward agriculture and education and the curbing of price increases. This year, the entire provincial budget for the two categories of aid-agriculture expenditures is 47.91 billion yuan more than last year's, a 14.5 percent increase. Meanwhile, the province-level budget for the two categories of aid-agriculture spending accounts for 12.7 percent of its total spending, meeting the 12.5 percent requirement set in the "Regulations."

At the provincial financial administration office, this reporter had a chance to look at Hebei's 1995 budget and its execution from January to April with regard to categories seven and eight expenditures: The entire province has budgeted 948.43 million yuan for agriculture, which included 76.06 million yuan carried over from last year, 10.75 million yuan allocated by the central government, 358.47 million yuan allocated by the province, and 503.15 million yuan allocated by the cities and prefectures. The city and prefectural budgets were set, and most county-level aid-agriculture funds were also decided. At the end of April, only nine counties still did not have an aid-agriculture budget, because they all had financial problems. The province's own allocation of 358.47 million yuan was a 16.9 percent increase over last year. Judging by the way the budgets were executed, the province has spent 170.50 million yuan to aid agriculture, a 48.2 percent increase over last year. Specifically, category 7 expenditures increased 49.5 percent and category 8 increased 47.7 percent. Category 7 spending was primarily on cotton production.

The agricultural financial administrative vice chairman, Wei Ruiting [7279 3843 1250], told the reporter that the "Regulations" made things much easier and were a welcome addition. He said that in the past, they increased input as much as possible, but today, they try to meet their goal, and that is following the law, and to reach the 12.5 percent goal, they have to choose the proper projects and set priorities, so as to fund new projects, continued projects, and important projects one by one. He said that the provincial government has increased aid-agriculture fund allocations; the counties are also paying attention and actively cooperating, and a new trend has emerged: In the past, everyone only empha-

sized more input, but spending could not keep up, and large sums had to be carried over to the next year.

This year, every effort is made to keep pace with the spending, striving to spend more than 80 percent of the funds by year-end, so that the aid-agriculture funds are not only properly allotted but actually spent. One important task is to support the large grain-producing counties in starting some projects to increase revenues and peasant income, so that they have the ability to go from "safeguarding wages and stability" to "safeguarding aid-agriculture spending" and more.

East Region

Acrylic Fiber Project Operational in Anhui

OW1308142095 Beijing XINHUA in English
1405 GMT 13 Aug 95

[FBIS Transcribed Text] Hefei, August 13 (XINHUA) — Anqing Petrochemical Plant in east China's Anhui Province put into operation on August 8 an acrylic fiber project, one of the three largest of its kind in the country.

Also one of China's key projects during the "Eighth Five-Year Plan" (1991-1995) period, the project is designed to turn out 50,000 tons of acrylic fiber and another 50,000 tons of vinyl cyanide a year.

Involving a total investment of 4.52 billion yuan (about 538 million US dollars), the project was jointly launched by Anhui Province and China Petrochemical Corporation with a loan granted by the Asian Development Bank (ADB).

In addition to acrylic fiber and vinyl cyanide devices, the project also has a normal decompression device for crude oil processing, a catalytic pyrolysis device, a thermal power plant project and a special petrochemical railway linking Hefei, the provincial capital, with Jiujiang, a port city in the neighboring Jiangxi Province.

The project, initiated in November 1992, was designed and built by Chinese scientists and workers with the main equipment manufactured at home as well.

The project is expected to increase the domestic output of vinyl cyanide by 20 percent, turn out 20,000 tons of wool-type short staple, 10,000 tons of double roving fiber, 15,000 tons of wool-top fiber and 5,000 tons of cotton-type short staple each year.

Experts estimated that the fiber output of the project is equivalent to cotton grown in 66,000 hectares of farmlands and is enough for blending with 200,000 cotton spindles.

The project has also created job opportunities for 50,000 people, experts said.

'Text' of Fujian Government Work Report

HK1508022095 Fuzhou FUJIAN RIBAO in Chinese
8 Apr 95 pp 1, 2

["Text" of Fujian Provincial Government Work Report delivered by Fujian Governor Chen Mingyi before the Third Session of the Eighth Provincial People's Congress on 30 March 1995: "Seize the Opportunity, Blaze New Trails in an Enterprising Spirit, and Strive to Fully Accomplish the 'Eighth Five-Year Plan.'"]

[FBIS Translated Text] Fellow deputies:

Now, I would like to deliver the provincial government work report for deliberation by the congress on behalf of the provincial people's government and welcome comments from members of the provincial committee of the Chinese People's Political Consultative Conference.

I. Review of Government Work in 1994

In the past year, under the leadership of the party Central Committee, the State Council, and the provincial party committee, the governments at various levels in our province conscientiously implemented the spirit of the 14th National CPC Congress and the Third and Fourth Plenary Sessions of the 14th CPC Central Committee; correctly handled the relationship between reform, development, and stability; and, in accordance with the requirement of "create more advantages and scale new heights" raised by General Secretary Jiang Zemin during his inspection tour of Fujian, dynamically pushed ahead with the reform, opening up, and modernization, achieved new progress in all areas of work, and basically accomplished the tasks for 1994 set at the second session of the eighth provincial people's congress. **A decisive step was taken in the reform.** In accordance with the unified planning by the center, we conscientiously instituted the reforming of major macromanagement systems, such as those of taxation, finance, foreign exchange and foreign trade, pricing, and circulation; implemented the fiscal regime of tax allocation between central and local authorities and introduced the new tax system; strengthened the regulatory and control function of the central bank and the service role of specialized banks; smoothly achieved the convergence of exchange rates; and adjusted the prices of grain, cooking oil, and other important commodities. These reforms, with their widespread impact and a high level of difficulty in implementation, achieved desired results thanks to the unity and close cooperation of all parties concerned at various levels in the province and the smooth transition from the old system to the new one. New successes were achieved in such areas as changing operational mechanisms and introducing new systems, appraising fixed assets and circulating funds, and instituting the all-personnel labor contract system in the reform of state-owned enterprises. Major progress was made in the various comprehensive reform experiments assigned by the state and provincial authorities. Provincial-level organizations took new steps forward in changing their functions, untangling their relations, streamlining their administration, and improving their efficiency. **Significant achievements were made in opening to the outside world.** The scope of opening continued to broaden and the level of opening was further upgraded. For the whole year, the import and export volume for the first time broke the \$10 billion

mark, registering 13.33 billion; of which \$8.23 billion were exports, up 41.3 percent, taking fourth place nationally; \$3.76 billion worth of foreign capital was actually utilized, ranking third in the whole country; overseas contracts, labor service cooperation, and international tourism continued to maintain a positive momentum. Exchanges between Fujian and Taiwan continued to expand, with 637 new Taiwanese-funded projects, worth \$950 million, approved. Bilateral trade reached \$2.15 billion. **The national economy continued on a fast track.** The GDP registered 168.5 billion yuan, representing an increase of 21.2 percent as calculated on the basis of comparable prices. In agriculture, the harvest was still good despite serious natural calamities. A sample survey indicated that the total grain output was 8.874 million metric tonnes (with a gross statistical figure of 9.606 million metric tonnes), representing an increase of 184,000 metric tonnes. Overall growth as observed not only in agriculture, but also in forestry, animal husbandry, sideline production, and fishery. The total quantity of food produced other than grain increased by 1.02 million metric tonnes. The total output value of township and town enterprises went up 64.3 percent. In industry, production and sales both grew, with the total output value up 43.9 percent and the comprehensive index of economic efficiency reaching 100.45. Urban and rural markets were prosperous and brisk and the total retail volume of consumer goods grew by 33.6 percent. Fiscal revenue increased by 3.69 billion yuan, reaching 14.75 billion yuan, which made 1994 the 10th consecutive year of balanced budget. Things were stable on the banking front. Deposits increased and loans were extended as planned. The insurance industry enjoyed healthy development. **Breakthroughs were achieved in the construction of infrastructure.** The overall investment in fixed assets grew by 47.6 percent, marking a drop of 39 percentage points in the growth rate. Thirteen key construction projects have been completed and commissioned or partly commissioned. In the highway "Trail blazing Project," 1,224 km of roadbed and 903 km of pavement were built or rebuilt for the high-grade highway system. Without jeopardizing the quality and traffic flow, it took slightly over six months to complete the broadening of the Fuzhou-Xiamen-Zhangzhou highway. In power generation, the newly acquired installed capacity was 1.01 million kw, equivalent to the total of the new acquisition in the first three years under the "Eighth Five-Year Plan." In telecommunications, the capacity of newly installed exchanges in urban and rural areas was 1.16 million gates and a telephone network with nine prefectural cities as the hubs was completed. Key construction projects in such areas as railways, airports, ports, expressways, and water resources control all made significant progress.

Various social undertakings achieved all-round development. In education, the goal of building ours into an educationally strong province was set forth; policies and measures for accelerating the reform and development were formulated; the input in education was obviously increased; the strength of reform was obviously increased; compulsory primary education was universalized in areas covering 100 percent of the total provincial population; the quotas for eliminating illiteracy were overfulfilled; the scale and efficiency of general higher education were further upgraded; Jimei University was officially founded; and the salary benefits and housing of teachers were somewhat improved. The "Reinvigoration Program" using science and technology went further ahead; the development and application of high and new technology showed progress; the percentage of scientific and technological findings transformed into products and services was increased; and popularly-run scientific and technological institutions made steady progress. New achievements were also made in literature, art, press and publications, radio and television broadcasting, public health, and sports. The birth rate was 16.24 per mille and the natural growth rate of the population was 10.29 per mille, lower than the national average. New progress was made in land management and environmental protection. The all-people defense education and the work on militia reserve service were further strengthened. New achievements were made in civil affairs, nationalities affairs, religious affairs, archives, local annals compilation, and protection of relics. **The real living standard of the urban and rural population continued to improve.** The average per-capita income available for living expenditure among urban residents was 3,508 yuan, while the per-capita net income of peasants was 1,578 yuan. After the price increases are factored in, those two figures represent 7.7 percent and 4.5 percent increases. By the end of the year, the balance of saving deposits of urban and rural residents increased by 16.47 billion yuan. The "Pleasant-Living Project [an ju gong cheng 1344 1446 1562 4453]" and "Shelter Project [guang sha gong cheng 1639 0633 1562 4453]" were implemented in an all-round way. The housing conditions of urban and rural residents further improved. Another 30,000 households across the province, with a total of 143,000 members, began to enjoy secure availability of subsistence food and clothing; 376 natural villages, with 14,300 villagers moved into new housing estates. All the 15 practical things that the provincial party committee and provincial government promised the people of the province were accomplished. **New achievements were made in the building of socialist spiritual civilization and democracy-legal system.** The education in patriotism, collectivism, and socialism was conducted extensively and all forms

of activities for building [chuang jian 0482 1696] and jointly building [gong jian 0364 1696] socialist spiritual civilization became progressively active. The building of socialist democracy and legal system was energetically pushed forward. Positive results were achieved in the comprehensive improvement of public security. On the anticorruption front, new phaseal achievements were made in cultivating honesty and self-discipline in cadres, investigating and handling big and important cases, and specialized campaigns for redressing unhealthy tendencies.

We still face some problems and difficulties in our way ahead. 1) The most outstanding problem is that the increase rate of prices has been too high. The growth of the general retail price index was as high as 23 percent, way above the price control target set at the beginning of the year. This had a rather big impact on the life of the public, especially low-income residents and employees of enterprises in straitened circumstances. Such a high price increase rate is a result of, as well as objective factors, some shortcomings in the work of our government. First, last year, the prices of many items were adjusted and many reform measures which affected prices were promulgated. Necessary as this was for adjusting price relations, because we underestimated the chain reaction and the means of regulation and control was not sound, the overall price level went up. Second, inputs in agriculture were inadequate, which, combined with the serious natural disasters that happened last year, caused a strain on the supply of agricultural and sideline products. Moreover, as the living standards of the urban and rural people alike improved and the floating population in the cities increased, the total consumer demand increased which in turn caused a 33.9 percent rise in the prices of food commodities, constituting the main reason for the overall price hikes. Third, for several years in a row, investment in fixed assets and consumption funds had been growing too fast, which aggravated price increases. Fourth, the circulation system was inadequate; market behavior was unstandardized; there were too many intermediaries; the redressing of the behavior of profiting by illicit means was ineffective; and the phenomena of arbitrary price increases and the arbitrary imposition of fees and charges were rather common. All those factors helped jack up the prices. 2) The foundation of agriculture is vulnerable. Since the beginning of the reform and opening up, agriculture in our province has experienced tremendous, historic changes and made much progress. However, the acreage of cultivated land has fallen drastically, by 390,000 mu over the past four years; water conservancy works are old and in poor repair; the capabilities for preventing and fighting natural disasters are not strong enough;

and the development of production cannot catch up with the fast development of industry and the ever-increasing demand of urban and rural residents.

3) State-owned enterprises have difficulties. Some enterprises lack vitality. Their product mix is not rational; their technical equipment is backward; they are weighed down by burdens from their past; their operating management is not good enough; and the employees of some enterprises which have suspended or partially suspended production face difficulties in their livelihood. 4) Infrastructure still relatively lags behind. Though highways, railways, airports, ports, and electricity and water supply facilities have been somewhat improved, they are still not in pace with overall development. The funding for key construction projects still has some difficulty and the tasks for ensuring fund supply for key projects and controlling that for ordinary projects remain onerous. 5) There are weak links in the comprehensive management of public security. Public security in a small number of localities is not good, where theft, robbery, violence, prostitution, and whoring are rather outstanding and are the object of public indignation. 6) The building of clean and diligent administration has yet to be further strengthened. Some of the corrupt phenomena, such as seeking personal gain by misusing one's power, extorting money by blackmailing, and embezzlement and bribe-taking, are still rather serious. Unhealthy tendencies in various departments and trades have failed to be effectively curtailed. Some organs have shown formalism, bureaucracy, and dereliction of duty or neglect of duty, causing discontent among the masses. The governments at various levels have begun to take those problems seriously and are taking active measures to solve them.

Fellow deputies, the past one year has been a year of brisk development for various undertakings in our province. While the macroeconomic environment was not relaxed and production suffered under serious natural calamities, various major reforms were smoothly implemented, bringing fast growth to the national economy and maintaining social stability. Those achievements are attributable to the hard work and joint efforts of the people of the whole province and would not have been possible without the effective supervision of the people's congresses at all levels; the active participation of committees of the Chinese People's Political Consultative Conference at various levels, the democratic parties, and mass organizations; the energetic support of the Army and armed police officers and men stationed in Fujian; and the sincere cooperation of Hong Kong, Macao, Taiwan compatriots, overseas Chinese, and friendly personalities in other countries. Here, I would like to express

our heartfelt gratitude and highest regards to them on behalf of the provincial people's government.

The year 1995 is the final year for fully accomplishing the "Eighth Five-Year Plan" and is also a crucial year for laying a foundation for implementing the "Ninth Five-Year Plan." In this new year, the situation inside and outside China has provided our province with a rare historic opportunity for the reform, opening up, and economic construction. In particular, the important speech made by General Secretary Jiang Zemin on the eve of the Spring Festival, entitled "Let Us Carry on Working for the Accomplishment of the Great Cause of National Reunification," caused tremendous repercussions within and outside China and is bound to have a profound and far-reaching impact on the reunification of our motherland. It is a great catalyst for the development of Fujian, on the western bank of the Taiwan Strait. During the Spring Festival season, Premier Li Peng inspected our province and gave important instructions on our future development and the work on Taiwan-related affairs. Recently, Qiao Shi, chairman of the National People's Congress [NPC] Standing Committee, inspected Fujian and provided some orientation. He also gave important instructions on implementing the spirit of the Third Session of the Eighth NPC, developing Fujian-Taiwan relations, and making a good job of the work on agriculture and state-owned enterprises, which greatly inspired us and spurred us on. We should firmly seize the favorable opportunity we are facing now; unify our thinking; keep sight of the overall interests; strengthen coordination; do our work in a down-to-earth manner; further deepen the reform; accelerate the establishment of the socialist market economic system; continue to expand opening up; energetically promote the development of Fujian-Taiwan relations; concentrate on improving the quality and efficiency of economic growth; take practical measures to solve such problems as extra-fast price increases, the vulnerable agricultural foundation, the difficulties facing some state-owned enterprises, and the lagging behind of infrastructural development; maintain sustained, rapid, and healthy development of the national economy; adhere to the principle of doing two types of work simultaneously; strengthen the building of clean and diligent administration; ensure social stability; promote the all-round progress of society; and put together the wisdom and strength of all the people in the province, stand on solid ground, work hard while living a plain life, accomplish all tasks in the "Eighth Five-Year Plan" in an all-round way, and achieve a new quantum leap in the modernization process.

In accordance with the overall requirement for the economic work this year and the forecasts of overall macroeconomic trends, we have set the following targets

for the whole province: GDP to grow by more than 11 percent; investment in fixed assets to grow by 17.6 percent; the total export volume to reach over \$9 billion; to utilize \$3.5 billion to \$4 billion of foreign capital in real terms; fiscal revenue to grow by 11 percent; to achieve a significant fall in the rate of increase of commodity retail prices, to about 15 percent; per-capita net income of peasants and per-capita income available for living expenditure among urban residents to grow by 3 to 5 percent in real terms after price increases are factored in; and the population to be 32.30 million by the end of the year, with the natural growth rate kept under 12 per mille.

II. To Promote Sustained, Rapid, and Healthy Development of the National Economy

The economic work in 1995 should continue to aim at deepening the reform; focus on enhancing quality and efficiency; strive to strengthen and improve macroregulation and control; pay attention to solving outstanding conflicts and problems which affect the overall development of the economy; constantly optimize the economic setup and industrial structure; concentrate on the basic points, new growth points, vulnerable points, and vantage points of economic development; and strive to raise the overall strength and quality of the national economy. **I. It is necessary to truly put strengthening agriculture on top of the economic agenda.** It is necessary to further implement the policies and measures formulated by the central and the provincial authorities for strengthening agriculture; concentrate the energies of leaderships on the further deepening of the rural reform; increase inputs; and rely on science and technology to increase grain output and harvests to ensure grain supply and for replacing poverty with affluence on the road to moderate prosperity. *One, we must make up our mind to increase inputs in agriculture.* The "Agriculture Law" should be strictly enforced. The budgetary capital construction investment in such areas as agriculture and water conservancy planned at the provincial level will show an increase of 12.50 million yuan over last year; the expenditure on the construction of river and sea embankments will increase by 10 million yuan; for the coming three years, the provincial treasury will earmark 30 million yuan each year (22.50 million yuan more than last year) for spending on the construction of 30 commodity grain production base counties; the banking sector will arrange 100 million yuan each year in special-purpose loans to support major grain-producing counties in mountainous areas in their effort to develop the rural economy. The governments at various levels and all relevant departments should also significantly increase their input in agriculture. It is necessary to continue to guide peas-

ants and collective economic organizations, as well as various parties in society, to increase labor investment and monetary input in agriculture; expand the utilization of foreign capital in agriculture in various forms and through various channels; strengthen the management and supervision of agricultural funds; and focus on the construction of commodity grain bases, five major protective systems for the prevention and reduction of disasters, farmland water conservancy projects, and other agricultural infrastructures. *Two, efforts should be made to develop grain production.* On the one hand, we should take care of the acreage of farmland. We should protect the 15.04 million mu of basic farmland in the protected zones according to law; strengthen control of the cultivated land outside the protected zones; treasure and care about farmland; firmly prevent the abandonment and arbitrary occupation of cultivated land; ensure that the acreage sown to grain reaches 30 million mu. On the other hand, we should work on the unit area yield; implement various measures to boost the yield; and strive to raise output per unit area to fulfill the target of 9 million metric tonnes of total grain harvest. On the one hand, we should concentrate on the building of 30 commodity grain base counties and give vigorous support to major grain-producing counties in mountainous areas in developing their rural economies; and on the other, we should help boost the grain production of 14 counties suffering serious shortages of grain and help them raise their grain self-sufficiency. *Three, we should strengthen the comprehensive development of agriculture.* It is necessary to energetically develop high-yield and good-quality agriculture and foreign exchange-earning agriculture and make a good job of the building of a state-level good-quality and high-yield agriculture experimental area in Zhangzhou and 10 provincial-level good-quality and high-yield agriculture demonstration areas. It is necessary to make a good job of the second-phase campaign in the "three-five-seven" afforestation and greening project; consolidate the achievements in our afforestation and greening endeavor; optimize the mix of forest varieties; and speed up the development of the forest industry. It is necessary to make active efforts to promote tidal land and shallow sea breeding; develop high-yield and good-quality aquatic breeding industry; upgrade the capacity of high sea or pelagic fishing; and make a good job of the deep processing and finishing processing of aquatic products. Energetic efforts should be made to develop the production of pigs and the production of poultry and animals with a high fodder transformation rate characterized by some unique features of our province. *Four, it is necessary to try to reinvigorate agriculture by means of science and technology.* It is necessary to consistently integrate agriculture with science and education; strive to

raise the labor productivity of agriculture, the utilization rate of land and other resources, and the rate of commercialization of agricultural products. Energetic efforts should be made to develop and introduce fine varieties and strains of products in agriculture, animal husbandry, and fisheries; actively popularize practical agronomical techniques in scientific cultivation, fertilizing, and comprehensive prevention and control of plant diseases and insect pests; accelerate the process of transforming medium and low-yield farmland; strengthen rural vocational and technical education and training; accelerate the training of agricultural technicians; increase the input in agriculture-related science and technology; stabilize the contingent of agricultural scientists and technologists; improve the socialized service system in rural areas; and make a good job of pre-production, in-production, and post-production services.

Five, it is necessary to promote the industrialization of agriculture and the rural economy. It is necessary to focus on cultivating such chief industries as grain, vegetables, fruit, tobacco, aquatic products, edible mushrooms, flowers, and poultry and livestock; and build 100 leaders and effectively link the productive operation of peasant households with the market. In areas with adequate conditions, it is necessary to follow the wishes of the peasants and, actively and steadily, push ahead with the management of cultivated land on an appropriate scale. Both mountainous and coastal areas should continue to develop township and town enterprises energetically and upgrade their standards and levels. It is necessary, based on the building of small cities and towns, to follow the path of outward opening, scale operation, and grouping and strive to make new breakthroughs in such areas as the scale of enterprises, the extent of outward opening, and joint-stock cooperation and further developing and expanding the rural collective economy. *Six, it is necessary to deepen the rural reform.* It is necessary to adhere to and improve various party and government policies for the rural areas; mobilize the enthusiasm of the broad ranks of peasants; continue to deepen the reform of the system of circulation of agricultural products; and further improve the purchasing and marketing policies. It is necessary to actively support the production of chemical fertilizers, farm chemicals, farm machinery, and other agriculture-purpose industrial products; make a good job of the supply of the means of agricultural production; strengthen the management and regulation and control of the agricultural production means market; rectify the order of the circulation of agricultural production means; check excessive price increases of agricultural production means; further lighten the burden on peasants and sternly crack down on any practice designed to harm the interests of peasants; take practical steps to protect the interests of the peasants; con-

tinue to popularize the rural joint-stock cooperative system and strive to run the rural cooperative funds better. *Seven, it is necessary to speed up the process of replacing poverty with affluence on the road toward moderate prosperity.* It is necessary to continue to implement the "Eight-Seven Support-the-Poor Core Program" and step up the effort to support poverty areas through development; adhere to and improve the system where by units under the direct jurisdiction of provincial authorities are linked up with poverty areas for purposes of supporting the latter; let specific developed areas help specific poverty areas; solve the problem with basic food and clothing of 200,000 people; implement the "Benefiting Project" and help 20,000 people relocate; continue to show care and support for the economic development of old liberated areas, ethnic minority areas, border areas, and islands; strengthen the construction of infrastructure; improve production and living conditions; and, in accordance with the latest criteria for moderate prosperity set by the state, implement various measures to ensure that the goal of moderate prosperity be basically achieved in 1997. **II. To strive to raise the overall quality of industry and its operational quality.** It is necessary to increase the strength of "changing the system, reorganizing, transforming, and improving;" accelerate the implementation of the strategy of "setting up a pillar, creating a larger scale, establishing brand names, and striving to be number one"; and strive to make new achievements in structural adjustment, technical advancement, reinforcement of management, and the enhancement of efficiency.

The adjustment of the industrial structure should be accelerated. It is necessary to step up planning for pillar industries, formulate specific implementation proposals and, with the petrochemical industry as the leader, cultivate a number of pillar industries with special features and advantages unique to our province in such fields as petrochemicals, electronics, machinery, building materials, and forest product processing. Continued efforts should be made to make a good job of the adjustment of product mix, with focused support for the production of a batch of leading-edge products such as newsprint, color television sets, computer peripherals, engineering machinery, agricultural vehicles, power transmission and transformation equipment, sports shoes, toys, new-generation high-quality artificial boards [ren zao ban 0086 6644 2647], canned food, and slabstones. Active efforts should be made to organize the development of new products. It is necessary to further optimize the organizational structure of enterprises and cultivate a number of large enterprises, comprehensive commercial firms, and multinational companies which have a high level of economic and technical strength and market competitiveness and which operate in diverse lines.

It is necessary to push ahead with the technical advancement of enterprises and put funds for technical transformation into superior industries and superior enterprises. A batch of enterprises with marketable products, high management standards, and good supporting conditions should be selected and entered into the "two-strengthening [shuang jia 7175 0502]" projects of the state and province, so as to help enterprises upgrade their standards and create brand names. It is necessary to set up a provincial-level technical transformation investment fund and gradually increase the budgetary input in technical transformation; reactivate state assets through various channels and expand the utilization of foreign capital for the updating of old enterprises; strengthen coordinated development of "production, learning, and research"; make a good job of the assimilation of and innovation of imported technology; and speed up the industrialization process of high and new technology.

It is necessary to strengthen the internal management of enterprises; carry out the activities of "changing the operating mechanism, improving the management, building up internal strength, and improving efficiency" in greater depth, and strengthen the management of enterprises and raise their overall quality with the focus on quality, costs, and fund control. It is necessary to continue to implement the objective-linked responsibility system for reversing losses and enhancing efficiency and strive to fulfill the following objectives by means of reform; on the basis of what was achieved in reversing losses last year, to accomplish the tasks of reversing losses among state-owned enterprises in Quanzhou, Fuzhou, and Xiamen first this year; to achieve a significant drop in the volume of losses of state-owned enterprises province-wide next year compared with this year; and to accomplish the task of reversing operating losses the year after. It is necessary to actively urge enterprises to solve the delay of payments to each other, take practical measures to supervise safety in production and prevent major disastrous accidents, strengthen comprehensive coordinated management, and make rational arrangements for the coordination of energy production and transportation to meet the needs of production. **(III) To strictly control the rate of price increases.** This should be considered the first and foremost task for macroregulation and control and a key link in handling well the relationship between reform, development, and stability and the measures of the State Council and the provincial government for stabilizing market prices and curbing inflation should be conscientiously carried out. In January and February this year, the commodity price increase rate in our province stayed high and price control was still rather challenging. The governments at all levels and the relevant departments should be very determined to combine efforts and concentrate on increasing sup-

ply, strengthening the management of circulation, and reducing intermediary links, with a view to generating positive results. *One, it is necessary to make a good job of the building of "rice bag" and "food basket" projects.* For the "rice bag" project, a governor responsibility system should be installed to ensure the acreage sown to grain, raise the unit area yield, increase reserves, regulate demand and supply, and stabilize prices. For the "food basket" project, a mayor responsibility system should be installed. At present, we should treat it as an urgent and rigid task to guarantee the acreage of vegetable fields, protect old plots, raise the quality of new plots, ensure sufficient supply, and stabilize the prices of nonstaple food, and accomplish the task well and efficiently. Governments at various levels should try all possible means to make a good job of the production, purchasing, circulation, and stocking of grain as well as market management and the coordination of handling; give full play to the role of state-owned grain supply enterprises as the main channel of marketing; and continue to guide grain sellers and rice markets on a course of healthy development. All prefectural city governments should make energetic efforts to make a good job of the "food basket" project and concentrate on building well the nonstaple food bases of 22 cities. Inland county towns and coastal market towns should also speed up the establishment of nonstaple food bases. It is necessary to take measures and mobilize the broad ranks of peasants to produce vegetables and other sideline agricultural products for urban areas and thereby enrich the urban nonstaple food market. *Two, it is necessary to strengthen the government's ability to regulate and control commodity prices on the market.* It is necessary to establish and improve the system for the reserve of important commodities and supplies; further improve the grain and pork reserve system; and strive to make substantial progress in the reserve of seven important commodities and supplies, namely, sugar, chemical fertilizers, farm chemicals, plastic sheeting, finished oil, steel products, and cement. We should strive to increase the grain risk fund to over 200 million yuan by the end of this year. The nonstaple food development fund should be made available as required, of which 60 million yuan shall be earmarked by the provincial treasury for the development of nonstaple food bases and curbing market prices (prefectural cities to make similar arrangements). The nonstaple food price adjustment fund should cover all cities by the end of this year. *Three, it is necessary to strengthen market building and management.* It is necessary to speed up the building of commercial networks, country fairs, and wholesale markets and further improve the market system. The role of state-owned and cooperative commercial enterprises as the main channel for regulating the market and curbing price increases

should be given full play. It is necessary to continue to implement the price control objective responsibility system and introduce a multilevel, multidimensional price control structure; strictly control the promulgation of price adjustment measures; execute the system for monitoring the prices of basic necessities and services; strengthen the management of the prices of such important agricultural production means as chemical fertilizers, farm chemicals, and plastic sheeting; sternly handle cases of arbitrary imposition of fees and charges and arbitrary price increases; strengthen market supervision and management; and sternly investigate and handle all law-violating practices that disrupt market order. *Four, it is necessary to strictly control the scale of investment in fixed assets and the excessive growth of consumption funds.* Key projects should be guaranteed and ordinary projects should give way to the former in fixed assets investment. That means the demand for investment of infrastructure and basic industry should be met before anything else; the percentage of investment in agriculture, key construction projects, enterprise technical transformation, foreign-oriented industry, and high and new-technology industry should be raised; in real estate investment, the construction of luxury buildings should be controlled and the focus should be on housing for the general public. It is necessary to control the growth of consumption funds and strengthen extra-budgetary fund management; strictly enforce the state regulations on salaries, bonuses, and subsidies; standardize the collection of fees by administrative and nonprofit institutions; and strictly monitor the examination and approval of applications for the supply of controlled commodities.

(IV) To energetically conduct infrastructural construction. It is necessary to give prominence to infrastructural construction focusing on roads and power supply; and concentrate limited funds on key projects and on the most important of key projects to relieve the strain on transportation, energy supply, and water supply to a significant extent.

The construction of key projects should be accelerated. On the transportation front, marked progress should be made in the construction of Fuzhou's Changle International Airport and the second phase of Xiamen's Gaoqi Airport before the end of the year; the "Trailblazing Project," with the broadening and rebuilding of "two north-south, three east-west" highways involving five national highways and one provincial highway as the main framework, should be basically completed before the end of the year; the roadbed for the whole section of expressway between Quanzhou and Xiamen should be basically completed by the end of the year; the track-laying on the Hengnan and Zhangquanxiao railway lines should reach Jianyang and Quanzhou respectively. On

the energy front, Shuikou Hydroelectric Power Station, Xiamen Songyu Power Plant, and 10 medium-sized hydroelectric power stations under construction should be commissioned or partially commissioned and a total of 1 million kw of installed capacity will be acquired in the whole province. On the telecommunications front, the key projects include a digital mobile telecommunications network along the Fuzhou-Xiamen line and the Fujian section of the Fuzhou-Hangzhou-Guizhou-Chengdu fiber optic trunk line, and increasing the capacity of program-controlled telephone exchanges by 800,000 to 1 million gates. In the meantime, efforts should be made to start on some infrastructural projects that have a catalytic impact on the overall situation; arrange well the convergence of projects under the "Eighth Five-Year Plan" and those under the "Ninth Five-Year Plan"; and step up the preliminary work for intended projects so that all preparations can be made before they go ahead. The pace of projects under construction should be accelerated; the estimate budget for investment should be strictly controlled, their quality raised, their progress well managed, and the countdown of finishing projects should be scheduled so that the quality and quantity of tasks accomplished can be guaranteed and efficiency can be brought into play as soon as possible.

Construction funds should be raised through various channels and made truly available. While actively seeking input from the central government, it is necessary to resort to reforming measures and broaden fund-raising avenues through such means as comprehensive compensation, absorbing foreign capital, turning land resources into money, raising money from the public, issuing shares and bonds, setting up road and bridge companies, turning funds to compensated use, and the voluntary input of labor service. It is necessary to establish and develop the system for ensuring fund supply for key construction projects or, more specifically, providing long-term, stable sources of funding for infrastructural construction. A batch of infrastructural projects should be picked out, for which foreign tenders shall be invited to undertake them in the form of BOT (build-operate-transfer). It is necessary to select a number of infrastructural projects, transfer operating rights or stock ownership, and recover funds to invest in other key projects.

The management of infrastructural projects should be reformed and perfected. It is necessary to make a good job of comprehensive coordination; strengthen on-site examination, management, and supervision; actively use new technologies and new processes; save on investment; guarantee quality; and improve cost-effectiveness. It is necessary to continue to implement the legal person's investment responsibility system for infrastruc-

tural projects and the system of construction supervision and tender invitation; conduct supervision on law enforcement regarding key construction projects; and continue to carry out the labor emulation campaign to arouse a sense of responsibility as masters in the broad ranks of participants in the construction projects. (V) **To conscientiously conduct the work on taxation and banking affairs well.** It is necessary to implement the central policy of appropriate retrenchment of fiscal expenditure, and the issue of currency and devote limited funds to consolidating the foundation of agriculture, supporting state-owned enterprises, stabilizing commodity prices on the market, building key projects, developing science, technology, education, public health, and protecting the ecosystem.

It is necessary to ensure a balanced budget. Energetic efforts should be made to cultivate revenue sources; tap new economic growth points; cultivate newly emerging sources of revenue that promise stamina; concentrate on supporting the building of counties whose revenue reaches 100 million yuan; support townships and towns whose output value exceeds 100 million yuan and those whose revenue reaches 10 million yuan; and continue to do a good job in assigning the task of supporting poverty areas to specific units. Vigorous efforts should be made to organize revenue resources and ensure timely and full availability of central tax revenue and local revenue. The taxation system should be run in strict accordance with the law. The collection and management of key tax sources, miscellaneous taxes, and personal income tax should be strengthened. Regular collection of personal income tax can be introduced depending on the circumstances of different localities.

Tax auditing should be conducted strictly and anyone trying to evade tax or refusing to pay tax should be sternly punished. Arrears in tax and profit payment should be cleared up. The "Budget Law" should be rigorously followed and budget management strengthened so as not to run into deficits. The method of managing administrative expenditure should be reformed and the situation in which the fiscal department takes care of too many things should be changed as soon as possible. Fiscal expenditure, especially salary payments and administrative outlays, should be strictly controlled. Plain living and hard struggle should be vigorously encouraged; everything should be done industriously and thriftily; and extravagance and wastefulness should be opposed. Efforts should be made to fulfil the quotas of treasury bond issuance.

A fine banking environment should be made created. It is necessary to conscientiously implement the "Law of the People's Bank of China" and promote the healthy

development of banking work; energetically organize deposits; increase the funding strength; adjust the credit structure; and ensure the supply of funds for key projects. It is necessary to speed up the circulation of credit funds; raise the efficiency of credit fund utilization and the quality of financial assets; strengthen financial supervision and management; put an end to arbitrary interbank lending, arbitrary fund-raising, and arbitrary investment; and standardize the order on the financial market. It is necessary to adhere to operation and management of separate trades within the financial sector; standardize the operating behavior of various kinds of financial institutions; steadily develop the insurance industry and the securities industry; run Fujian Xingye Bank better; make active efforts to set up city cooperative banks in Fuzhou and Xiamen; strive to acquire branches or offices of the commercial banks newly set up by the state in Fujian; run well rural credit cooperatives and county joint cooperatives and improve their function in regulating funds. **(VI) To continue to strengthen urban and rural planning and management.** It is necessary to look forward into the future, make plans from a high starting point, build to a high standard, manage with high efficiency, and bring urban and rural construction to a new height.

The pace of urban and rural planning should be accelerated. It is necessary to step up the adjustment and revision of urban master plans and the planning of villages and towns; concentrate on the adjustment and revision of the planning of cities along coastlines, along communications arteries, and along borders; organize forces to make regional plans for small urban networks; accelerate the process of adjusting and improving the planning of townships and villages with 100 million yuan plus turnover; strengthen the planning for the exploitation of land in continuous tracts; ensure the rational distribution and healthy development of such land to be exploited; implement the detailed regulatory plans on a full scale; and conduct urban and rural construction in strict accordance with plans so as to safeguard the authority of planning.

It is necessary to push ahead with urban and rural construction in a dynamic way. The principle of "unified planning, rational setup, suiting measures to local conditions, comprehensive exploitation, and coordinated construction" should be upheld to do a good job in the mutually supporting construction of urban public facilities. It is necessary to raise funds through various channels; do a good job in the construction of such urban infrastructures as landscaping and greening, urban water supply, road communication, drainage and sewage disposal, car parks; do a good job in urban greening to the state standard and increase the area of public lawns. The setup

of small cities and towns under development should be optimized. Township and town enterprises should be guided to develop themselves in conjunction with each other so as to save on land and increase scale. The transformation of old towns and villages should be encouraged to minimize the occupation of cultivated land. The "Pleasant Living Project" and the "Shelter Project" should be carried forward and low-income households with housing problems should receive help with those problems.

Efforts should be made to raise the standard of urban and rural management. It is necessary to strengthen the management of major cities, urban-rural integrated areas, the Fuzhou-Xiamen railway line, small cities and towns along railway lines, the development of new zones, and the transformation of old cities. The overall function of cities and towns should be strengthened. It is necessary to continue to improve the look of cities and towns, strengthen traffic control, beautify the environment, and bring significant improvement to the face of urban and rural areas and the quality of the environment. **(VII) To implement the three basic national policies, namely, family planning, environmental protection, and rational utilization and protection of land.** As far as family planning is concerned, it is necessary to conscientiously implement the "Family Planning Work Program of China 1995-2000;" continue to make sure that the chief leaders of party and government organs at all levels attend to this matter personally; let various departments participate in a concerted effort; further implement the principle of "three predominances [san wei zhu 0005 3634 0031];" spread positive experience in "three combinations [san jie he 0005 4814 0678];" give discrete guidance to different types of organizations; manage the related work according to law; concentrate on the improvement of areas where family planning is lagging behind, the implementation of the birth limit policy in rural areas, and family planning for the floating population; and strive to turn Fujian into a leading province in family planning work.

It is necessary to conscientiously implement the principle of simultaneous planning, simultaneous implementation, and simultaneous development of economic construction and environmental building and rigorously implement the objective responsibility system for environmental protection. Governments at various levels should increase the input in environmental protection, increase the strength of law enforcement, highlight the treatment of key pollution sources, concentrate on the control and treatment of regional pollution, and improve the water quality of the Min Jiang and other major rivers. In terms of land management, it is necessary to regard the pro-

tection of cultivated land as a long-term strategic task; manage land in strict accordance with law; standardize and improve the property market; activate state-owned land assets; and raise the utilization rate of land.

The reform and opening up process is the fundamental motive force behind economic and social development and is where the hope of an invigorated Fujian lies. We must, as required by the center, give play to the advantages of the pilot region for comprehensive reform; while focusing on deepening the reform of state-owned enterprises, push ahead with the reform of the social security system as a backup, consolidate and improve the reform of the macromanagement system, cultivate the market system, further change the functions of the government, and create a positive institutional environment for economic development.

The reform of state-owned enterprises should take big steps forward. It is necessary to aim at enlivening the entire state-owned economy and bring into better play the leading role of the state-owned sector. The work on changing enterprise operating mechanisms and introducing the modern enterprise system in pilot enterprises and extending their experience to other enterprises should be well conducted with a sense of urgency. In experiments on the reform, it is necessary to aim at establishing the modern enterprise system; integrate institutional innovations, technical innovations, innovations on management, and external package reforms; make a good job of the experiments in the three enterprises selected by the State Council for experimentation on the modern enterprise system and the eight enterprises designated by the provincial authorities, as well as those under the jurisdiction of Fuzhou City, Fuzhou City, and Nanping City for experimentation on comprehensive enterprise package reforms. It is necessary to conscientiously sum up the successful experience of state-owned enterprises and groups that are well run and encourage them to explore bravely and practice boldly. Those enterprises that have adequate conditions should be transformed toward the establishment of a joint-stock system in batches and in stages. The 16 specialized foreign trade companies at the provincial level should be gradually transformed into joint-stock limited companies or limited-liability companies. The existing joint-stock enterprises should be standardized in accordance with the "Company Law." As to the general reform of all enterprises, the main task is to do well all the required foundation-laying work for the establishment of a modern enterprise system; integrate changing enterprise operating mechanisms and introducing the modern enterprise system with the effort to reverse deficits and increase surpluses; expand and upgrade mainstay enterprises; and achieve a rational flow and optimal disposition of the stock assets of

medium-sized and small state-owned enterprises. It is necessary to accelerate the reform of the state assets operation and management system; conduct the appraisal of fixed assets and circulating funds on a full scale; and establish the state assets operation responsibility system and the system for the appraisal of value conservation and appreciation. Active efforts should be made to create conditions for the gradual solution to the problem of excessive liabilities of enterprises left over from the past; lighten the burden on enterprises as providers for the society; strengthen the building of enterprise leaderships; and set great store by the training of entrepreneurs.

The non-publicly owned economy should be actively developed. It is necessary to further relax the policy; provide discrete guidance for different types of enterprises, strengthen management, and encourage and support the healthy development of individually-run, privately-owned, and wholly or partially foreign-funded enterprises and let them play a complementary part in the national economy.

Various supporting reforms should make new progress. It is necessary to further deepen and perfect major reforms in such areas as taxation, banking, foreign exchange, foreign trade, and investment according to the central plan. Active efforts should be made to push ahead with the reform of the social security system, in particular, the change of the old-age insurance mode and the improvement on the social insurance management system. For urban employees, the basic old-age insurance system should gradually evolve from accounting on a cash basis toward the system of advance planning and accumulation. It is necessary to expand the coverage of basic old-age insurance; actively develop supplementary old-age insurance taken out by enterprises and individual savings pension scheme; steadily introduce old-age insurance in rural areas; further improve the unemployment insurance system; and make a good job of security provision, relief, retraining, and reemployment for jobless or job-awaiting employees. It is necessary to expand the scope of experiments on the reform of the medical insurance system and gradually move into the mode of integration between social funding under general planning and individual medical accounts. Energetic efforts should be made to cultivate the market system and actively develop various production elements markets and intermediary organizations.

New results must be achieved in the experiments on comprehensive reforms. We should strengthen planning, make active explorations, practice in a bold spirit, and create new experience in all the comprehensive reform experiments designated by both the state and the

provincial authorities in accordance with the objectives of the reform.

The task of institutional reform should be basically accomplished. It is necessary to follow the principle of separating enterprise management from government administration and the principle of streamlining, unification, and effectiveness; concentrate on the change of government functions; make a good job of the "three definitions," i.e., defining functions, defining institutions, and defining the sizes of staff; and do a good job in the diversion of personnel. The execution of the institutional reforms at the provincial level should be stepped up as scheduled; the institutional reforms at the prefectural city level should go under way in the first half of the year and those at the county and township levels in the second half of the year; efforts should be made to basically accomplish the institutional reforms at all of the four levels, i.e., the provincial, the prefectural, the county, and the township. **III. To Promote Fujian-Taiwan Exchange and Expand Opening Up**

For over a decade, Fujian has been benefiting from an open environment in its development. To achieve a new quantum leap, it is even more important to give prominence to opening up. We should continue to give play to our cultural, geographic, and policy advantages; take advantage of our connections with overseas Chinese and Hong Kong, Macao, and Taiwan compatriots; actively promote cooperation and exchanges between Fujian and Taiwan; and expand the opening up in all dimensions.

It is necessary to seize the favorable opportunity and promote Fujian-Taiwan cooperation and exchanges to a new height. Connections with Taiwan are a major advantage of Fujian. We should conscientiously implement the spirit of General Secretary Jiang Zemin's important speech on promoting the peaceful reunification of our motherland and the important instructions given by Premier Li Peng and NPC standing committee chairman Qiao Shi when they were inspecting Fujian. We should, with a strong sense of responsibility to history, conduct the work on Taiwan affairs more actively and more creatively and make new contributions to furthering the relationship across the Taiwan Strait and realizing the great cause of the peaceful reunification of our motherland.

It is necessary to strive for major development in the economic exchanges and trade between Fujian and Taiwan. It is necessary to further implement the principle of "prioritizing Taiwan among equals and relaxing any restrictions appropriately" prescribed by the central authorities regarding economic exchanges and trade with Taiwan and energetically push ahead with economic cooperation and trade between Fujian and Taiwan. Atten-

tion should be given to the introduction of related trades in packages and Taiwan investors' zones of considerable size dedicated to petrochemical, machine-building, electronics, and some other industries should be set up. It is necessary to explore and broaden new paths for introducing agricultural investment and technology from Taiwan with Zhangzhou as the base. It is necessary to further expand the domain for the utilization of Taiwan capital; try to obtain central approval for the trial establishment of Taiwan-invested commercial retail outlets in Fuzhou, Xiamen, Quanzhou, Zhangzhou, and Putian; and set up Taiwan-funded banks, Fujian-Taiwan joint-venture banks, tourism, and other tertiary industry practices on a trial basis. It is necessary to conscientiously implement the "Law on the Protection of Investment by Taiwan Compatriots in the People's Republic of China" and the enforcement measures of Fujian Province; run well existing Taiwan-funded enterprises; and take substantial measures to protect the legitimate rights and interests of Taiwan investors. Flexible measures should be taken to promote the development of indirect entrepot trade and direct small-volume trade with Taiwan. The cooperation in fishing service between Fujian and Taiwan should be further expanded. Plans are being made for the first cross-strait trade fair.

Efforts should be made to achieve a breakthrough in the "three direct links" between Fujian and Taiwan. It is necessary to make active planning and arrangements for the "three links;" speed up the construction of ports, airports, and other basic facilities; reform the port management system; make preparations for the "three links" between the two sides of the strait; strive to let the "two horizons [liang ma 0357 7456; referring to two place names across the strait]" take the lead and open up the "two gates [liang men 0357 7024; referring to two place names across the strait]" to each other so that Fujian can become the first transit hub for the "three links" across the Taiwan Strait. It is necessary to strengthen the contacts and communications with related trades and industries in Taiwan and explore specific forms and ways of direct freight between fixed destinations in Fujian and Taiwan and the convergence of telecommunications facilities. The important places of origin of Taiwan compatriots should strengthen nongovernmental exchange, with kinship, the Goddess Mazu [ma zu 1265 4371], and various unique features of folk culture as the bridges, and explore ways for the "three direct links" across the Taiwan Strait.

Efforts should be made toward new progress in the two-way exchanges between Fujian and Taiwan. It is necessary to expand exchanges and cooperation between Fujian and Taiwan in various forms and through various channels; deepen mutual understanding and frater-

nal rapport; energetically advocate our traditional culture; and continue to organize strongly indigenous local operas, folk culture, and folk beliefs [min jian xin yang 3046 7035 0207 0111] for exhibition and performance in Taiwan. Energetic efforts should be made to conduct academic exchanges between Fujian and Taiwan by starting with subjects of mutual interest, such as meteorology, oceanology, geology, seismology, and environmental protection to promote sharing and cooperation between the scientific and technological circles of the two sides and to strive toward new breakthroughs in joint research projects, sharing of research findings, the joint development of high and new technology, and cooperative introduction of advanced applicable technology. In the meantime, there should be mutual visits, exchanges, and cooperation between Fujian and Taiwan in education, literature, art, sports, traditional Chinese medicine, press and publications, radio and television broadcasting, and the tourist industry.

It is necessary to improve the investment environment and conduct opening up at a higher level, in a wider field, and in greater depth. While expediting infrastructural construction, vigorous efforts should be made to improve the soft environment for investment, consolidate and develop the pattern of opening up, and strive to improve the results of opening up.

We should make up our mind to improve the soft environment for investment. It is necessary to make relevant procedures even simpler, standardize fees and charges, improve public security, strengthen management, provide packaging services, and make things convenient for foreign investors. It is necessary to improve the experiments on the registration system for foreign-invested enterprises, improve the examination and approval system, and raise the efficiency of handling relevant matters. It is necessary to formulate measures for strengthening the security work of wholly or partially foreign-funded enterprises and to introduce a necessary mechanism of supervision by society. The foreign businessmen complaints mediation center should be well managed. Active efforts should be made to create conditions and gradually come to treat foreign investors as nationals. The role of such social intermediary institutions as accountancy firms and law firms should be brought into play, the function of social package service provision should be perfected, and a soft environment for investment which conforms with international practice should be established so that foreign investors can enjoy convenience, peace of mind, and safety in Fujian.

It is necessary to speed up the opening up and development of southeast Fujian. A master plan for the development of southeast Fujian should be formulated as soon as possible and practical steps and measures proposed.

It is necessary to adhere to the simultaneous progress of industrialization, foreign orientation, and urbanization; let the invigoration of the port economy lead the way; develop processing industry, technology-intensive industry, exchange-earning agriculture, and tertiary industry; and build a west-of-Strait prosperity belt with central cities, satellite cities, and small urban districts as pillars. The Xiamen Special Economic Zone should quicken the pace of implementing some of the policies applicable to a free port; make good use of its local legislative power; make a good job of building the Xiangyu Bonded Zone; run Haicang Investment Zone well; and give better play to the roles of "windows" and "leaders." For economic and technological development zones, bonded zones, Taiwan investment zones, coastal open cities, economic open zones, high-technology parks, and tourist and holiday zones, it is necessary to strengthen regional development and functional development and form an overall, comprehensive superiority. Southeast Fujian should play a radiating and activating role and mountainous areas and hinterlands should tap their potentialities and blaze new trails in an enterprising spirit. It is necessary to use economic interests as a tie to strengthen cooperation between coastal and mountainous areas and promote complementary interaction between them so that they can move ahead together in a spiral motion.

The utilization of foreign capital should be more active, rational, and effective. We should stand by the principle of welcoming Hong Kong, Macao, Taiwan compatriots and foreigners to make investment in projects of any size so that the total amount of foreign capital utilized can be increased. It is necessary to improve the scope of foreign investment-utilizing industries; encourage foreign investors to make inputs in infrastructure, high and new-technology industries, intensive agriculture, high value-added export industries, and the transplanting or transformation of old enterprises. The utilization of foreign capital in tertiary industry should be expanded. Avenues for the utilization of foreign capital should be expanded and breakthroughs achieved in setting up foreign investment funds and reassigning share ownership and operating powers. A longitudinal implementation system for establishing and improving foreign-invested projects should be established and perfected. The rate of contract fulfillment, the rate of capital availability, and the rate of operation related to foreign-funded projects should be raised. While energetic efforts are made to absorb foreign capital, it is necessary to strengthen interregional connections and, in accordance with the laws of the market economy, actively conduct economic cooperation with other provinces and municipalities, especially the Chang Jiang Delta, Zhu Jiang Delta, and the areas bordering on Zhejiang, Jiangxi, and Guangdong to

form a big market and achieve big circulation and big cooperation. The tasks of supporting Tibet and the Three Gorges Project should be conscientiously carried out.

It is necessary to promote foreign trade to an enhanced level of growth. Research should be conducted for the formulation of policies encouraging exportation and arousing the enthusiasm of foreign trade enterprises and wholly or partially foreign-funded enterprises in expanding exports. It is necessary to actively push ahead with the reorganization of state-owned foreign trade enterprises and the change of their operating systems and develop a batch of enterprise groups led by foreign trade and integrating trade with industry, agriculture, and technology. Energetic efforts should be made to broaden the service trade and expand exports of technology, knowledge, property rights, and labor services; open up the international market; optimize the mix of export commodities; and concentrate on the export of highly processed products and products with high levels of technology and high added value. The advantages of ports should be given play and imports expanded.

It is necessary to maintain a good momentum of international economic and technological cooperation. Active efforts should be made to adjust the foreign economic market and operating strategies; further develop the undertaking of foreign projects on a contractual basis, labor service cooperation, insurance concerning foreign parties, international tourism, and deep-sea fishing; consolidate and develop the market in Southeast Asia; and open up markets in developed nations. A system for operating and managing enterprises abroad that conforms to international practice should be established and the management contingent expanded and reinforced. Township and town enterprises and private enterprises with adequate conditions should be guided to make investments abroad, for which certain policies should be made to make things easy for people leaving and reentering the country.

It is necessary to make a still better job of the overseas Chinese affairs work. The multitude of overseas Chinese is a major advantage of our province. It is necessary to conduct overseas association activities in various forms and through various channels; build deeper relations with old friends and develop new friendship extensively; pay close attention to the work on the young generation of overseas Chinese; expand the bases for handling overseas Chinese affairs inside and outside the country; strengthen business and trade ties with overseas Chinese entrepreneurs, influential overseas societies, and celebrities; give full play to the positive role of overseas Chinese compatriots in investment invitations; and encourage overseas Chinese to bring in in-

vestment from Taiwan and other countries and regions. It is necessary to find out the background of overseas Chinese, empathize with their feelings, and listen to overseas Chinese and Chinese abroad expressing their views and suggestions on the economic construction of our province. It is necessary to conscientiously implement the law on the protection of the rights and interests of returned overseas Chinese and the families of overseas Chinese and safeguard the legitimate rights and interests of overseas Chinese, returned overseas Chinese, and the families of overseas Chinese. It is necessary to better manage overseas Chinese-funded enterprises and public welfare establishments contributed to by overseas Chinese. Conscientious efforts should be made to make a good job of foreign affairs and develop friendly ties with foreign parties.

IV. To Strive To Achieve the Overall Progress of Society

The principle of "doing two types of work simultaneously with equal strength" should be consistently upheld. While concentrating our energies on economic construction, we should also pay attention to the coordinated development of social undertakings and make a good, down-to-earth job in the various undertakings related to the building of socialist spiritual civilization, democracy, and legal system to ensure the smooth progress of reform, opening up, and modernization.

The building of socialist spiritual civilization should be strengthened in a substantial way. It is necessary to include the building of spiritual civilization in the master plan of economic and social development so that the building of two civilizations can move ahead in a coordinated way. It is necessary to organize the broad ranks of cadres and masses to study the "Selected Works of Deng Xiaoping" in greater depth and help them reinforce their conviction in the building of socialism with Chinese characteristics. It is necessary to give free rein to the "64"-character pioneering spirit for the new era advocated by General Secretary Jiang Zemin; conscientiously implement the "Program for Implementing Education in Patriotism"; organize activities marking the 50th anniversary of the victory of the War of Resistance Against Japanese Aggression; conduct education in patriotism, collectivism, and socialism on an extensive scale; continue to conduct activities on learning from heroes, models, and advanced examples on various fronts; make a good job of education in social ethics, professional ethics, and family virtues; adopt a correct outlook on life, values, and a moral outlook; conduct activities for creating civilized village households, streets, and communities in greater depth; form a civilized, healthy, harmonious, and uplifting atmosphere;

strengthen the work on civil affairs, nationalities, and religion; make a good job of the special care rendered to disabled servicemen and to family members of revolutionary martyrs and servicemen, the provision of disaster and poverty relief, social welfare, and mutual help. It is necessary to conduct education in national defense and enhance the consciousness of the whole people about national defense. Energetic support should be given to Army work and the building of the militia reserve service strengthened. It is necessary to carry forward the fine tradition of the two supports, do a good job in supporting the Army and giving preferential treatment to the families of revolutionary armymen and martyrs, and consolidate and develop the unity between the Army and the government and between the military and civilians.

It is necessary to energetically develop scientific and technological undertakings and continue to implement the "Invigoration Program" and the "10 major scientific and technological projects." It is necessary to increase the input in scientific and technological development through various channels; organize forces to solve key problems in scientific research; focus on the cultivation of improved varieties of crops, deep processing of agricultural and sideline products, research on and development of key technologies in industrial production; cultivate the technology market and accelerate the transformation of scientific and technological findings. Efforts should be stepped up to implement the "invigoration of coastal areas by means of science and technology" and expand the experimentation in some coastal counties and cities. The "Spark Program" should be continued, highlighting the building of rural regional pillar industries and Spark-intensive areas. Energetic efforts should be made to develop high and new technology and strive for major achievements in the technological development in such areas as electronic information, biological engineering, petrochemical industry, efficient energy saving, and new materials. It is necessary to speed up the building of state and provincial-level high and new-technology industries development zones and cultivate a batch of high-technology enterprises showing a high level of technology, good economies of scale and strong market competitiveness. It is necessary to deepen the reform of the scientific and technological structure, promote the structural adjustment and personnel diversion of scientific research institutions, expedite the development of popularly run scientific and technological enterprises, and actively promote scientific and technological cooperation and exchange between Fujian and Taiwan. It is necessary to strengthen basic research, establish a library network, encourage inventions and innovations, and adopt more effective measures to attract personalities from around the country and abroad to work in

Fujian. It is necessary to strengthen the universalization of scientific and technological knowledge, raise the scientific and technological understanding of the whole people, do a good job in the protection of intellectual property rights, enliven theoretical research in the social sciences, and give play to the role of theory in leading practice.

It is necessary to accelerate the pace of building Fujian into a province strong in education, conscientiously implement the "Education Law," increase investment in education, strengthen the reform of the educational system, optimize the educational structure, expand the scale of education to an appropriate extent, improve the quality of education and efficiency in managing educational institutions, and strive to become a province strong in education. It is necessary to speed up the "two basics [liang ji 0357 1015]" process; complete the construction of 100 new junior middle schools and the extension and construction of 1,000 classrooms of junior middle schools; raise the coverage of junior middle compulsory education among the population to over 95 percent; eliminate illiteracy for 150,000 people and help 300,000 people to consolidate and improve their literacy. It is necessary to continue to adjust the educational structure; energetically develop vocational education and adult education; raise the quality of higher education. The reform of education should be deepened. As from this year, with the exception of teachers' colleges and schools and a small number of other special and taxing subjects that are urgently needed by the country's economic construction, the general institutions of higher learning as well as intermediate and intermediate-plus vocational schools all across the province may accept self-financed students and establish a scholarship and student loan system and a work-study fund. Joint funding of institutions of learning should be promoted. The provincial authorities and Xiamen City shall set up Xiamen University together with the State Education Commission and should run Jimei University well with the Ministry of Communications and the Ministry of Agriculture. The provincial authorities should join hands with Futian City in preparing for the establishment of a branch of Fujian Medical College. It is necessary to conform to the centralized planning by the state and designate Xiamen University and a provincial (or joint) university for entry into the "211 Project;" complete the prequalification and listing of key faculties; make a conscientious effort to do a good job in the education of teachers, speed up the training of teachers, and organize middle school and primary school teachers to take part in further education aimed at improving their qualifications. It is necessary to encourage people to respect teachers and value education; continue to improve teachers' housing conditions; build 700,000

square meters of housing for teachers; and concentrate on solving the problems of those with outstanding housing difficulties. It is necessary to reform the methodology and system of examinations; take substantial measures to lighten the study load of middle school and primary school pupils; and further strengthen and reform the work on moral integrity in schools and maintain their stability.

Active efforts should be made to promote the progress of various social undertakings. It is necessary to discuss and formulate measures for the implementation of the "Program for Social Development in China" and improve policies and measures for supporting the development of social undertakings. Energetic efforts should be made to strengthen public health operations; adhere to the principle of putting prevention first; strengthen the prevention and treatment of common diseases, infectious diseases, endemic diseases, and occupational diseases; implement primary health and medical care projects; increase the input through various channels; try all possible means to increase the number of beds in hospitals; accelerate the training of professional health workers; make a good job of stratified management of hospitals and the building of ethics and conduct of the medical profession; strengthen the supervision and management of medical institutions, medicines, and foodstuffs; invigorate the traditional Chinese medicine and pharmacology; continue to put the focus on health work in rural areas; speed up the construction of the three health projects in rural areas, make a good job of the improvement of water supply and toilet systems there, and lay a good foundation for the process of striving toward moderate prosperity in rural areas. On the cultural front, it is necessary to continue to implement the "Hundred Flowers Program" and the "Fragrant Grass Program;" give prominence to the main theme; encourage diversity; support refined art and the essence of our national culture; pay attention to the construction of book shops; and take substantial steps to strengthen the management of the cultural market. On the radio and television broadcasting front, efforts should be made to improve the quality of programs and continuously expand broadcast coverage and raise the percentage of programs that reach all places. In publications, it is necessary to adhere to the orientation, control the total amount of publications, improve their quality, and raise cost-effectiveness. In sports, the principle of promoting coordinated development of mass sports and competitive sports should be upheld, an all-people fitness program popularized, and athletic standards improved to prepare for the Eighth National Games. It is necessary to develop the sports industry and build a west-of-the-Strait sports corridor. Continued efforts should be made to do the work well on local annals and archives.

It is necessary to pay close attention to the building of socialist democracy and the legal system, open up and clear various channels for listening to the opinions of people from all walks of life with an open mind, help make decisionmaking more democratic and scientific, and take substantial measures to protect the democratic rights of the masses. The governments at all levels must adhere to the system of reporting to the people's congresses and their standing committees, conscientiously accept supervision, and implement any resolutions made by the people's congresses and their standing committees in real earnest; actively support the work of people's political consultative conferences, take the initiative to strengthen ties with democratic parties and personalities with no party affiliation, and value their viewpoints and suggestions on the government work; establish and develop the system of democratic participation of such mass organizations as the trade unions, the communist youth leagues, and women's federations in government affairs; continue to strengthen the building of grass-roots political power organs and the building of villagers' autonomous organizations; closely cooperate with the legislative work of the people's congresses and their standing committees; work to a tight schedule to draft a batch of important local legislative bills for deliberations by the provincial people's congress standing committee; promulgate a batch of government administrative regulations; and make better use of legal means to regulate economic relations and standardize social behavior. Workers in governments at various levels should further reinforce their legal awareness, handle affairs in strict accordance with the law, safeguard the dignity of the law, energetically popularize knowledge of the law, and help the public acquire stronger legal awareness.

It is necessary to conscientiously make a good job in the comprehensive improvement of public security. More effective measures should be taken and the crackdown on criminal activities strengthened to bring about a significant improvement on the state of public security. First, it is necessary to make strenuous efforts to implement the leader responsibility system so that all officials during their term of office will take good care of the places under their jurisdiction. Second, vigorous efforts should be made to rectify and improve urban and rural public security, make a good job of the concentrated rectification of public security in rural areas, strengthen coast defense control, solve problems in focal areas and outstanding problems that the masses are especially critical of. Third, it is necessary to adhere to the principle of stern crackdown and, according to law, deal out severe blows to all kinds of criminal offenses and ugly phenomena in society that the masses are especially critical of. Fourth, it is necessary to punish all kinds of economic criminal activities in pursuance of the law and to

safeguard social and economic order. Fifth, it is necessary to integrate specialized organs with mass security organizations, establish and develop mass networks for crime prevention and crime handling, and implement all the measures for comprehensive improvement of public security at the grass-roots level. Sixth, it is necessary to correctly handle the contradictions among the people, set great store by the work on petition letters and visits, and mediate in civil disputes in good time before they develop into major trouble. Seventh, it is necessary to strengthen the building of public security organs and police substations, develop the urban patrol system, strengthen management of the floating population, consistently run the police force in a strict manner, and continuously raise the overall quality and fighting capabilities of the public security contingent.

It is necessary to unrelentingly conduct the building of industrious and clean administration. Continued efforts should be made to make a good job of the following three tasks: to urge leading cadres in the governments at various levels to practice honesty and self-discipline; to investigate and handle cases of violation of law and discipline; and to redress unhealthy tendencies in various departments and trades and professions. It is necessary to conscientiously implement the two sets of "five regulations" on the honesty and self-discipline of leading cadres ranking at and above the county (or provincial section) level and the supplementary regulations on four matters, i.e., housing allocation and housing construction, use of cars, the ban on attending high-cost entertainment at public expense, and banqueting. It is also necessary to tighten the supervision on the honesty and self-discipline of cadres ranking at the county (or city) section level, leading cadres of townships (or towns), persons in charge of grass-roots stations, and leading cadres of state-owned enterprises. Continued efforts should be made to concentrate on the handling of cases involving leading cadres ranking at and above the county (or provincial section) level as well as other big and important cases. Special attention should be given to such fields as banking, securities, capital construction, real estate, and land lease authorization, where the incidence of offenses is high and big and important cases are concentrated. It is necessary to carry on doing a good job in "three clearings and one stopping [san qing yi sha 0005 3237 0001 0458]." At present, we should concentrate on putting a firm end to the following three unhealthy practices: the arbitrary setting up of toll gates, the arbitrary imposition of tolls, and the arbitrary awarding of monetary penalties on highways; the arbitrary imposition of fees in middle and primary schools; and the arbitrary imposition of fees and the apportionment of expenses among peasants. The redressing of unhealthy tendencies in such departments as public security, tax-

ation, industry and commerce, railways, public health, and posts and telecommunications should be strengthened. An effective supervisory and constraining mechanism should be established and developed.

The year 1995 is a crucial year that serves as a bridge between the past and the future. While we should make concerted efforts to accomplish all the tasks under the "Eighth Five-Year" Plan, we should also look ahead into future, take great pains in formulating the "Ninth Five-Year Plan," draw up a development program for the run-up to 2010, and explore the development strategy for Fujian in entering the 21st century. In the study and formulation process, we should take Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and the party's basic line as guidance; conscientiously implement the principle of "creating new advantages and attain new heights," as proposed by General Secretary Jiang Zemin, and the thrust of the instructions given by Premier Li Peng and NPC Standing Committee Chairman Qiao Shi when they inspected Fujian. It is necessary to set great store by investigation and study, solicit public opinion extensively, draw on collective wisdom and absorb all useful ideas, carry out scientific feasibility studies, and strengthen the strategic, scientific, and guiding nature of plans and programs. We should review the successful experiences gained over the past 16 years since the beginning of the reform and opening up and propose strategic goals and measures for entering the 21st century. It is necessary to expedite the establishment of the socialist market economic system; give full play to the foundational role of the market in resource allocation; expand the opening up in all dimensions; and form a big-scale economic and trade pattern that facilitates the coordinated development of foreign trade, foreign investment, and foreign economic cooperation. Energetic efforts should be made to promote the strategic adjustment of the industrial structure; establish a rational industrial structure in which the three levels of industry can achieve coordinated development; and develop a number of pillar industries, led by the petrochemical industry, which display Fujian's unique characteristics, showing strong international competitiveness, and dominating the economic development of the whole province. It is necessary to strengthen the construction of infrastructure and set up a relatively developed transportation and communications system, an energy backup system, five systems for protecting against and reducing disasters, and an urban water supply backup system. It is necessary to set great store by the development of grain production and establish a "three-in-one" rural development framework incorporating comprehensive agricultural development, the development of township and town enterprises, and the construction of small cities. It is necessary to high-

light the development of southeast Fujian, which will in turn activate the opening and development of hinterland and mountainous areas, so that coastal and mountainous areas can cooperate with each other, help each other move forward, and develop in conjunction with each other. Strenuous efforts should be made to build Fujian into a province strong in education; speed up the process of turning high and new technologies into industrial production; promote coordinated development of the economy and the society; and achieve the overall development of society. We should consistently adhere to the principle of doing two types of work simultaneously, strengthen the building of socialist spiritual civilization and the building of democracy and legal system, and ensure social stability. We should mobilize and organize the people of the whole province to strive to build Fujian, through 20 years' endeavor, into a highly civilized and modernized region characterized by rapid economic growth, advanced science and technology, a rational industrial structure, a well-developed market system, the coordination of social progress, complete and matching basic facilities, an optimal ecosystem and a beautiful environment, the integration of rural areas and urban areas, and an affluent standard of living for the people.

In the new year, we find ourselves shouldering a weighty historical mission and the deep trust of the 32 million people of the whole province. We should show strong dedication to our cause and a strong sense of responsibility; further strengthen the building of the government; build the governments at various levels into democratic, clean and honest, and highly efficient people's governments; and successfully accomplish the mission assigned by the party and the people. We should unify our understanding, take account of overall interests, further align our thinking to the central principles and policies and the work plans of the provincial party committee, safeguard and submit to the overall interests of the whole party and the whole country, and ensure the smooth execution of the decrees and orders of the party center and the State Council. We should be good at studying and brave to practice; systematically study and master Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics; study the theory of the socialist market economy, modern science and technology, and the law; strengthen the process of tempering through practice; enhance our competence through practice; and improve our ability to keep the overall situation well in hand and solve complicated contradictions and problems. We should emancipate our mind, seek truth from facts, use our brains well, proceed from the reality of Fujian in everything we do, give play to our advantages and avoid what puts us at a disadvantage, and creatively conduct our work. We should unite and cooperate with each other and practice plain living

and hard work. It is necessary to strengthen the cooperation between superior levels and subordinate levels, between different departments, and between different administrative sectors and regions, as well as unity within the leadership groups to create a united, harmonious, stable, and enterprising situation. It is necessary to be frugal and practice economy, blazing new trails in a hardy spirit. We should change our work style and work in a down-to-earth manner. It is necessary to encourage substantial endeavor, speak the truth, do practical things, and seek practical results. It is necessary to strengthen investigation and study and firmly prevent and overcome bureaucracy, formalism and such ill practices as trickery and making false, boastful reports on one's performance. We should be clean and honest in our conduct and diligently perform our official duties in the interests of the people. We should reinforce our sense of service, improve our work efficiency, go to the masses and the grass roots to find out about the public's thoughts and worries and empathize with them, doing what the masses want us to do. We should always show concern for the livelihood of the people in poor areas and reservoir areas, employees of enterprises in poor circumstances, low-income residents, people relocating to new places after their previous premises have been demolished to make room for new development, and school teachers and pupils living in difficult circumstances. Practical measures should be taken to help the masses solve realistic problems and continue to handle well the 15 practical things that are closely bound up with the production and daily life of the masses.

Fellow deputies, the tremendous successes of the reform and opening up are inspiring us and the historical mission of creating more advantages and mapping out new grand plans is spurring us on. In the new year, we shall more closely rally around the party center with Comrade Jiang Zemin at its core; adhere to Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and the party's basic line as the guidelines; fully implement the thrust of the 14th National CPC Congress, the Third and Fourth Plenary Sessions of the 14th CPC Central Committee, and the Third Session of the Eighth NPC; and, under the leadership of the provincial party committee and with high morale and a down-to-earth work style, pool the strength of all the people in our province, unite as one and practice plain living and hard struggle, strive for a full victory in executing the "Eighth Five-Year Plan", create new brilliant successes in reform, opening up, and modernization, and make new contributions to the realization of the great cause of national reunification!

Jiangsu Leaders Mark Army Day at Forum

OW1508040095 Nanjing XINHUA RIBAO in Chinese
29 Jul 95 p 1

[Report by Reporters Zhou Gan (0719 0474), Wang Yingxiang (3076 2019 4382), and Cheng Guansheng (4453 7070 3932): Share the Common Destiny, Be One Mind; Leaders of Nanjing Military Region and Jiangsu Mark Army Day at Forum]

[FBIS Translated Text] Leaders of the Nanjing Military Region [NMR] and Jiangsu gathered at the Dongwan Guest House in Nanjing's eastern suburb to mark the 68th anniversary of the founding of the Chinese People's Liberation Army [PLA] by reviewing military-government and military-people friendship, exchanging information on material and ethical construction, and discussing double-support [support the military and give preferential treatment to families of soldiers and martyrs; support the government and cherish the people] plans under conditions characterized by reform, opening up, and the development of the socialist market economy.

Present at the forum were NMR leaders Gu Hui, Fang Zuqi, Guo Xizhang, He Qizong, Yan Zhuo, Lan Baojing, Lei Mingqiu, Chen Bingde, Wen Zongren, and Wang Chuanwu; and provincial military district leader Zheng Bingqing; leaders of the provincial party committee, the provincial people's congress, the provincial government, and the provincial committee of the Chinese People's Political Consultative Conference, including Chen Huanyou, Zheng Shilin, Guo Hao, Shen Daren, Sun Han, Wang Xialin, Liang Baohua, and Jiang Yongrong; and Nanjing leaders Wang Wulong and Wang Hongmin.

The forum proceeded warmly. On behalf of the provincial party and the provincial government, Zheng Shilin, deputy secretary of the provincial party committee and provincial governor, extended festive greetings and high respects for all officers and men of the NMR and the provincial military district. Speaking on Jiangsu's situation, double-support plans, and the new successes achieved in militia construction, he said: The concern expressed by NMR leading comrades and the great support of NMR units in Jiangsu have everything to do with Jiangsu's rapid modernization and the new successes the province has achieved in various sectors. Military units in Jiangsu have accomplished a great deal of work in supporting the local reform and opening up projects and economic construction, in accomplishing various emergency and dangerous assignments, in maintaining political and social stability, and in working with civilian departments in promoting socialist ethics. This year, the military region has mobilized a great deal of manpower

and material resources for combating floods and has contributed enormously to protecting people's lives and property. On behalf of the provincial party committee, the provincial government, and the people in Jiangsu, Zheng Shilin wholeheartedly thanked the NMR's leading comrades and all other officers and men.

Provincial party committee Secretary Chen Huanyou also addressed the forum. He said: The Chinese PLA will forever serve as a loyal defender of the people's interests and as a steel Great Wall safeguarding the motherland's unification. He expressed his festive greetings and respects for the vast number of commanders and fighters.

On behalf of the NMR party committee, its organizations, and all commanders and fighters in the region, NMR Political Commissar Fang Zuqi thanked the provincial leaders and the people in Jiangsu for their concern and support. He said: This year marks the 50th anniversary of the victory of the War of Resistance Against Japan. People in Jiangsu contributed significantly to winning the war by paying an enormous price. Under the conditions of reform, opening up, and socialist market economic development, the Jiangsu provincial party committee and the provincial government have achieved outstanding successes in leading the people in Jiangsu in promoting material and ethical construction. He said: Jiangsu is a province with glorious traditions of supporting the military and giving preferential treatment to families of soldiers and martyrs, and all local authorities in the province have done a splendid job in this area. To support the military through the necessary policies, both provincial and local authorities have drawn up a string of new measures and regulations on giving special care to disabled servicemen, assisting the military in developing productive businesses, protecting military facilities, and building reserve forces. This has institutionalized and codified the work of supporting the military and giving preferential treatment to families of soldiers and martyrs. During the recent provincial meeting to recommend cities and counties having distinguished themselves in mutual support, 40 additional cities and counties were honored for their exemplary performance. This shows that Jiangsu has reached a higher level in promoting mutual support.

NMR Commander Gui Hui said: The PLA is shouldering the sacred mission of protecting the motherland. The party and the people can rest assured that we are determined, and have the ability, to safeguard our country's sovereignty and territorial integrity, to safeguard the unification of our motherland, and accomplish the party's and the people's sacred assignment of safeguarding our motherland.

Shandong Meeting Bans Public Fund Abuse

SK1408075795 Jinan DAZHONG RIBAO in Chinese
21 Jul 95 p 1

[FBIS Translated Text] The conference sponsored by the provincial level organs on vigorously checking the unhealthy trend of seeking pleasures at the expense of public funds opened in Jinan on the afternoon of 20 July.

Chen Jianguo, deputy secretary of the provincial party committee, presided over the conference and delivered a speech.

Tan Fude, member of the provincial party standing committee and secretary of the provincial discipline inspection commission, attended the conference and also made a speech. He stated: The provincial party committee and the provincial people's government have always attached great importance to dealing with the problems of seeking pleasures at the expense of public funds. All levels have also done a great deal of work and scored certain achievements in this regard by adopting some measures. However, judging from the recent investigation and study data, the problem of seeking pleasures at the expense of public funds, which has a certain universality and some phenomena which are more serious, still is one of the prominent problems about which the masses have lodged stronger complaints. A host of facts have shown that the harmfulness caused by the unhealthy trend of seeking pleasures at the expense of public funds has been serious. It not only has adversely affected smooth progress in the grand cause of reform and modernizations but also has seriously eroded the organism of the party and the country as well as corroded and ruined some cadres. Therefore, in view of the whole situation in "reform, development, and stability," vigorously checking the unhealthy trend of seeking pleasures at the expense of public funds is not only a simple problem of the economy but a serious problem of politics. It is not related to the problem of making a fuss over a trifling matter and of grasping the trifling things but the major ones, however, it represents the issue of seizing the prominent problems in the anticorruption struggle and of seizing the problems that can be handled. It is not based on whether the condition for checking the unhealthy trend has been ripe or not and on whether the problems can be grasped or not, but, it represents the demand imposed by the situation for resolutely making up minds to resolutely and successfully grasp the checking.

Tan Fude pointed out: As tasks, demands, policies, and measures have been clearly defined for the drive, the key to vigorously checking the unhealthy trend of seeking pleasures at the expense of public funds lies in

having all personnel and leading organs set themselves as examples in the drive. They should very earnestly and successfully grasp step-by-step the implementation of these policies, measures, tasks, and demands. The leading cadres of provincial level organs should play a leading role and set themselves as examples in this regard. Attention should be paid to conducting ideological education and enhancing the construction of systems. We should strictly enforce the discipline as well as have personnel be self-disciplined by conducting education on the one hand and strictly implement discipline on the other hand. As for the leadership who have neglected their duties and have not been effectively checked, we should affix responsibility on the leading personnel of their departments or units while investigating and handling their cases.

Tan Fude demanded: Dealing with the problem of seeking pleasures at the expense of public funds represents a prominent task in the anticorruption work at present. Party and government leading comrades at all levels must attach great importance to the drive, realistically enhance their leadership over the drive, strictly enforce the leadership responsibility system, clearly set the division of work, let every level be responsible for the drive, give priority to the key points of drive, enhance the work guidance, and must reinforce the dynamics in supervision and inspection. Various departments concerned should actively coordinate with the drive as well as grasp and manage the drive together with others so as to strive to score obvious results in the drive in the recent period.

In his speech, Chen Jianguo voiced his important opinions on how to implement the spirit of the conference: Leading party groups and party committees in various departments should attach great importance on the drive and grasp the work to vigorously check the unhealthy trend of seeking pleasures at the expense of public funds by regarding it as an important task in the movement to oppose corruption and to encourage administrative honesty in the second half of this year. They should achieve in making arrangements for the drive at each level, carry out the drive in a down-to-earth manner, and should mobilize all cadres and people to succeed in launching the drive. By bearing in their minds the reality of their departments, they should work out as soon as possible the methods of carrying out the drive and earnestly implement the responsibility system. Various units should assign the first party and administrative leading personnel to assume the general duty for the drive and assign a leading comrade to take personal charge of the drive. The party and discipline inspection organizations as well as the general offices of official organs should give full cooperation to the drive and assign a certain force to

share the work and to assume duties for grasping implementation. While successfully conducting self improvement and playing a model role in the drive, party and government leading cadres should do a good job in managing their subordinate units to ensure they are free from suffering problems. Hereafter, as for all incidents that have violated the regulations, we should affix responsibility not only on the personnel concerned but also on the leading personnel directly above them. Efforts should be made to enhance supervision and inspection. Various functional departments should realistically assume the responsibility of the drive and earnestly organize supervision and inspection. They should invite the comrades of the people's congress, the Chinese People's Political Consultative Conference Committee, and of various democratic parties to join in the supervision and inspection. They should also reinforce the dynamics of propaganda and bring into play the enthusiasm of the vast number of people in joining in supervision. Hereafter, as for those who have not listened to the appeal as well as have committed problems against the drive and continuously violated the regulations, we should investigate and handle them as soon as they have been discovered. We should also expose the typical cases to the public in order to resolutely block the unhealthy trend.

The conference conveyed the "Opinions on Strictly Banning the Seeking of Pleasures at the Expense of Public Funds," which was raised by the general offices of the provincial party committee and the provincial people's government. During the conference, the provincial trade union council, the provincial higher people's court, the provincial public security department, and the provincial industry and commerce bureau, delivered reports to describe their work done in the former period in checking the unhealthy trend of seeking pleasures at the expense of public funds and their future working plans.

Shandong Secretary Speaks at Meeting of Mayors

SK1308063495 Jinan Shandong People's Radio
Network in Mandarin 2300 GMT 12 Aug 95

[FBIS Translated Text] Zhao Zhihao, secretary of the provincial party committee, stressed at the provincial meeting of mayors and commissioners held on 12 August that further efforts should be made to enhance the sense of crisis and urgency, concentrate energy on economic construction, and promote quicker and better economic development in the province.

Zhao Zhihao said: While formulating and implementing the Ninth Five-Year Plan, we must persist in achieving sustained, rapid, and sound development; emancipating thinking and seeking truth from facts; unceasingly strengthening the agricultural foundation; invigorating Shandong with science and technology; deepening re-

form and expanding opening up; simultaneously grasping the two civilizations; strengthening party building and administrative honesty; and placing economic work under the party's leadership.

Zhao Zhihao said: Proceeding from the province's reality, we should set the province's general guidelines for economic development during the Ninth Year-Plan period as follows: We should make continued efforts to accelerate development, persist in taking quality and efficiency as the central tasks, shift economic construction to the path of relying on scientific and technological progress and enhancing the quality of laborers, shift the expansion of construction scale to the technological transformation and upgrading of the existing enterprises, and change from mainly relying on the increase in the consumption of human and material resources to the path of mainly relying on scientific and technological progress, strengthening scientific management, and raising the quality of workers, change from pursuing output value and rate to raising the application of technology to products and increasing the ratio of production in the market, and from mainly relying on expanding the total value of assets to mainly relying on structural adjustment, invigorating the funds in reserve, and raising the efficiency of the economy of scale as well as scientific and technological progress.

Zhao Zhihao stressed: During the Ninth Five-Year Plan period, our province's agricultural development will face double pressure. On the one hand, contradictions between the increase in population and the decrease in cultivated land will be very prominent; and on the other hand, the pressure caused by the increase in the income of peasants will be very big. Therefore, leaders at all levels should realistically place agriculture in the fore of economic work in terms of ideology and understanding, leadership energy, and work measures.

Zhao Zhihao emphatically pointed out: To change the form of economic growth and to realistically take quality and efficiency as the central tasks, we must further invigorate science, technology, and education and persist in invigorating Shandong with science and education.

Zhao Zhihao pointed out: During the Ninth Five-Year Plan period, we should make overall plans for reforms, continue to deepen reforms of the financial, tax revenue, banking, foreign trade, planning, investment, and social security systems, and consolidate and expand the reform achievements. It is necessary to regard state-owned large and medium-sized enterprises as the priorities, conduct comprehensive and coordinated reforms internally and externally, accelerate the establishment of modernize enterprise systems, vigorously develop en-

terprise groups, and strengthen the vigor and vitality of state-owned large and medium-sized enterprises. Meanwhile, we should continue to implement the strategy of using the export-oriented economy to uplift the whole economy, and further enhance the degree of developing the export-oriented economy.

Zhao Zhihao explicitly pointed out: To persist in regarding economic construction as the central task, we need spiritual civilization to provide us spiritual motivation, ideological guarantee, and intellectual support. In strengthening the building of socialist spiritual civilization, we should also exert strenuous efforts to successfully build democracy and the legal system and to guarantee social and political stability. The anticorruption struggle is the important task for strengthening the building of the party and political power, which we must persist on doing on a long term basis.

Zhao Zhihao stressed at the end of his speech: Economic construction is the general task of the whole party. Party committees at all levels should realistically strengthen leadership over economic work for this is the key to realizing the Ninth Five-Year Plan. At the same time, it is necessary to give full play to the functions and role of the government, and support the government to do its administrative work in line with law and to vigorously and voluntarily organize and manage the economic and social life well.

Shandong Meeting Sets Ninth Five-Year Plan

SK1408041995 Jinan Shandong People's Radio Network in Mandarin 2300 GMT 13 Aug 95

[FBIS Translated Text] The provincial government held a meeting of city mayors and commissioners in Changqing County from 5 to 13 August. The meeting concentrated on the discussion and study of the basic ideas for formulating Shandong's Ninth Five-Year Plan and the development plan to be implemented till 2010 and made arrangements for future development.

Zhao Zhihao, secretary of the provincial party committee, and Governor Li Chunting attended the meeting and gave important speeches.

The meeting held that at present our province's reform, opening up, and the modernization drive are in a crucial period. In addition to facing a fairly good development opportunity, we are also facing increasingly acute challenges. The higher and the lower levels across the province must further enhance the sense of responsibility, urgency, and crisis, and regard development as the main aspect of our work for a considerable long period to come. The Ninth Five-Year Plan and the development plan to be implemented till 2010 are transcending plans that must fit the socialist market economic new

system as well as the economic development trend at home and abroad, and must manifest the will and desire of the people across the province and comply with Shandong's actual situation.

The main tasks for the province's economic development for the next five to 15 years put forward by the meeting are to strive to realize the second step of objectives ahead of schedule, to increase the gross domestic product by 700 percent by the end of this century, to guarantee the realization of the third step of objectives on schedule, to basically realize modernization by 2010, and to turn Shandong into a socialist, modernized, and strong province.

The meeting pointed out: To realize the province's economic development strategic objective, we must develop the two motive forces of reform and opening up to the greatest extent and pay attention to the three key aspects of upgrading the structure, raising the quality, and increasing efficiency, and further enhance the province's comprehensive economic strength, competitive ability on the market, momentum for further development, and the people's living standards.

Vice Governors Song Fatang, Zhang Ruifeng, Wu Aiyang, Wang Yuxi, Han Yuqun, Shao Guifang, and Du Shicheng attended and addressed the meeting.

Special advisers of the provincial government, assistant governors, mayors and commissioners of various cities and prefectures, and responsible comrades of the provincial government departments concerned attended the meeting.

Shanghai's Pudong Concludes New Projects

OW1208142495 Beijing XINHUA in English * 1252 GMT 12 Aug 95

[FBIS Transcribed Text] Shanghai, August 12 (XINHUA) — The Kangqiao Industrial Park in Pudong, China's largest economic and technology zone in Shanghai, concluded 20 projects involving 2.28 billion yuan Friday.

Located in Nanhui County, the park covers 26 square kilometers, and is one of the four industrial parks under the administration of the municipal government.

It has housed more than 50 projects with a total investment of 1.6 billion yuan funded by major industrial enterprises over the past three years after its establishment.

"Our park is aimed at offering an opportunity for large and medium-sized industrial enterprises to upgrade their products and technology by cooperating with foreign companies," a local official said.

A garment company, which was set up by the Shanghai Garment Corporation in the park, has generated industrial output value totalling 28.4 million yuan since May this year when it went into production.

It is learned that more than 20 major enterprises have expressed their intentions to enter the park.

Southwest Region

Delegate Refutes 'Lies' on Tibet Human Rights

OW1508053995 Beijing XINHUA Domestic Service
in Chinese 0149 GMT 10 Aug 95

[FBIS Translated Text] Geneva, 9 Aug (XINHUA) — At a meeting of the 47th UN Human Rights Subcommittee held in Geneva, Li Baodong, a member of the Chinese delegation, took the floor on 9 August to refute the lies fabricated by some nongovernmental organizations concerning Tibet.

Li Baodong pointed out: These nongovernmental organizations openly trumpeted Tibet independence, claiming that Tibet is an occupied country. This is a serious distortion of history. Everybody knows that Tibet is an inalienable part of the Chinese territory. China began to exercise its sovereignty over Tibet as early as more than 700 years ago. That was much earlier than the founding of many countries in the world today.

He said: These nongovernmental organizations think that, by fabricating the tales about so-called Tibetan refugees, they can make people believe their lies about political and religious persecution in Tibet. However, no matter how they are packaged, these lies can in no way change their original features.

The fact is that the Chinese Government always attaches importance to promoting and protecting human rights. The Chinese Constitution and other relevant laws have specific regulations for protecting citizens' political rights and freedom of religious beliefs, and these regulations have been earnestly executed in practice. Like Chinese people of other nationalities, Tibetan people, ever since they shook off the feudal slavery system, are enjoying increasingly greater human rights and freedom of religious beliefs. Tibet, a place with monasteries everywhere, today enjoys social stability, thriving economic growth, and constant development of religious activities. Anyone who respects facts will acknowledge that Tibetan people had never been able to enjoy such ample human rights and basic freedoms as they can today. It is natural that the UN High Commissioner for Refugees has rejected the issue of the so-called Tibetan refugees which certain nongovernmental organizations fabricated out of thin air.

Li Baodong stressed: The Chinese Government always endorses and supports the principles in international documents concerning freedom of residence. The Chinese Government has drawn up special laws and regulations for ensuring citizens' freedom of residence, and these laws and regulations are widely embraced by all the Chinese people, including our Tibetan compatriots. Today, the international community is made up by sovereign states, there are still national borders, and visas are required for visiting other countries. This is the most basic common sense. Stopping and repatriating people from departing or entering a country illegally is part of the efforts the international community has made to stop illegal migration. Now these nongovernmental organizations are trying to label normal border management as restricting freedom of residence, and want to sling mud at the Chinese Government with this underhand measure. This is absolutely futile.

He said: Facts speak louder than words. We believe the international community will not be fooled by the lies fabricated by an extremely small number of people in the world. From the lies they have fabricated, however, we can easily see that their real intention is to promote activities of dividing China in the name of human rights.

Opening of Tibet Regional Party Congress Greeted

OW1508065595 Lhasa XIZANG RIBAO in Chinese
29 Jul 95 p 1

[Editorial: "Mobilization Congress For Attaining Grand Goal — Greeting the Successful Opening of the Fifth Regional Party Congress"]

[FBIS Translated Text] With the cordial concern of the CPC Central Committee, the Fifth Regional Party Congress — which all the party members and people of all nationalities of the whole region are much concerned about — has solemnly opened. This is a matter of great importance in party building and in the political life of the people of all nationalities in our region, and is also a mobilization congress for attaining the grand strategic goal at the end of this century. We warmly greet the successful opening of the Fifth Party Congress of the autonomous region.

In the past five years we have marched victoriously forward under the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics. Since the Fourth Party Congress, the party committee of the autonomous region, under the correct leadership of the CPC Central Committee with Comrade Jiang Zemin as the core, has implemented in a deep-going manner the spirit of the 14th Party Congress and various plenary sessions of the Central Committee and the spirit of the Third Tibet Work Forum, has led the

broad masses of party members and people of all nationalities of the region in working in unity to deepen reform and to open wider to the outside world, and has made remarkable achievements in socialist modernization; has safeguarded social stability and won a great victory in the struggle against splittists; has developed education, science, technology, and other undertakings in a healthy manner, and has made new achievements in the building of socialist spiritual civilization; and has further strengthened the party ideologically, politically, organizationally, in style, and in honest performance of official duties. In the past five years, we have made tremendous achievements in various respects, have accumulated rich experience, and have strengthened the confidence of people of all nationalities in scoring new victories. Looking back at the course taken in the past five years, the regional party committee has victoriously fulfilled the tasks given by the party and the people.

The period from now to the end of this century is a very crucial period for Tibet's economic development and social progress. In the coming five years, we should, through carrying out reform at a deeper level, opening wider to the outside world, and speeding up development, strive to bring about an average annual growth of about 10 percent of the GNP and to double it on the basis of 1993 by 2000, to basically fulfill the task of shaking off poverty, and to enable most people to become relatively well-off. This is a grand goal and is a very glorious and arduous task entrusted by history to the broad masses of party members and people of all nationalities of the whole region. The Fifth Regional Party Congress convened in such a new situation to seriously sum up the work done since the Fourth Party Congress, determine strategic plans and the train of thought for work of the coming period, elect and form the Fifth CPC Committee of the Tibet Autonomous Region, mobilize the broad masses of party members of the whole region to lead the people of all nationalities of the whole region in deeply implementing the spirit of the 14th Party Congress and the spirit of the Third Tibet Work Forum, further emancipate the mind, seize opportunities, speed up development, safeguard stability, and struggle for the successful attainment of the grand goal at the end of this century. People of all nationalities of the whole region should, under the leadership of the Tibet Autonomous Region CPC Committee, answer the call of the congress, turn the spirit of the congress into concrete actions, unite as one, make concerted efforts, carry out arduous work, blaze new trails, and courageously forge ahead toward the goal set by the congress to the 2000 of flourishing economy, nationality solidarity, and popular prosperity. Practice will prove that the current congress is an important milestone of people of all nationalities in

modernization. The congress will produce an important, profound, and far-reaching impact.

We must live up to the ardent expectations of the Central Committee and the important trust of the people of all nationalities of the whole region and make a success of the congress. The congress should be a congress which more thoroughly implements the spirit of the Third Tibet Work Forum convened by the central authorities; which should lead and mobilize party organizations at various levels of the whole region in rousing themselves, deepening understanding, effectively implementing the party's basic line, and courageously forging ahead toward the 21st century in a sustained, rapid, and healthy manner. Delegates to the congress should, with a sense of mission and responsibility of the times and with a high degree of political enthusiasm, seriously study and discuss the work reports of the party congress, realistically sum up work of the past five years, fully affirm achievements, sum up experience in practice, face squarely problems existing in work, deepen understanding, and seek unity in thinking. They should fully understand the very favorable opportunity for the development of our region, make clear the favorable conditions and powerful propelling force for moving toward a relatively well-off life, and correctly determine the strategical goal and basic train of thought in implementing the party's basic line in the coming five years. They should take an attitude of being highly responsible for the cause of the party and the Tibetan people and properly elect a new Tibet Autonomous Region CPC Committee in accordance with the party's organizational principle. With a clear goal, a correct train of thought, and a properly elected leading body, our cause will have very good prospects. We certainly will, under the correct leadership of the party Central Committee with Comrade Jiang Zemin as the core, and under the direct leadership of the regional party committee, open up a new situation in the work of Tibet, write a new magnificent chapter on the march toward modernization on the Tibet Plateau, and attain brilliant achievements of maintaining long-term stability and making our region prosperous and progressive.

Complete success to the Fifth Regional Party Congress.

Urban Construction Improves Tibet's Outlook

OW1508082295 Beijing XINHUA in English
0704 GMT 15 Aug 95

[FBIS Transcribed Text] Lhasa, August 15 (XINHUA) — The Tibet Autonomous Region has invested 3 billion yuan (about 361 million US dollars) in urban construction over the past 30 years.

Most of the sum has been used on the construction of public service facilities and residential quarters. The emergence of a group of new towns has improved the outlook of the remote Himalayan region.

The regional government has worked out an overall plan for urban construction since 1965. Construction of 18 towns has neared completion. New towns of Yadong, Zham, Pagri have expanded remarkably.

Apart from some major lamaseries, there were practically no handsome infrastructure before the founding of Tibet Autonomous Region, even in famous towns like Xigaze, Qambo, Gyaze, Qonggya, Zetang, Sagya and Rinbung.

Tibet is known for its thin air, driness, wind and sands. More funds were used on planting trees, flowers, grass, and wind-shelter woods to improve the climate of towns.

The government has also built dikes and harnessed rivers around towns to control flood on this "roof of the world."

To date, more than 70 percent of the towns at and above the prefecture level have installed tap water. The combined living space of urban residents space has reached 4 million sq m [square meters].

Last year, the central government allocated an extra of 2.38 billion yuan in building 62 more projects for Tibet, 40 percent of the projects were targeted at the town construction.

Tibet Makes Progress in Protecting Relics

OW1508113195 Beijing XINHUA in English
0938 GMT 15 Aug 95

[FBIS Transcribed Text] Lhasa, August 15 (XINHUA) — The Tibet Autonomous Region has made remarkable progress in the protection of its cultural relics over the past years, official sources here said today.

Over the years, the central and regional governments have spent 100 million yuan on the repair of major historical sites, such as the Zhaxi Lhunbo Temple, renown for its 26-meter-high bronze Maiyuri Buddha statue, and the Sagya Temple, famous for its large collection of Buddhist scriptures and vivid wall paintings.

The renovation of the Potala Palace alone took five years and cost 40 million yuan.

Tibet's rich heritage of cultural sites is not only a reflection of religion and local customs, but also provides an evidence of China's sovereignty over it during the past centuries.

The regional government has conducted a massive survey of the historical and cultural sites in the region.

According to official sources, Tibet now has 13 historical and cultural sites under state protection and 11 sites under regional protection. Their normal repair and maintenance cost over one million yuan a year.

North Region

Beijing Establishes Legal Services System

OW1408081295 Beijing XINHUA in English
0721 GMT 14 Aug 95

[FBIS Transcribed Text] Beijing, August 14 (XINHUA) — Organizations providing lawyers, notaries for documents, and other basic legal services can now be found almost everywhere in China's capital city.

According to statistics, 346 general law firms have been established in 18 districts and counties around the city.

There are 68 law offices with a total of 496 lawyers, 19 notary services with 194 notaries, and 14,114 groups with more than 198,600 mediators and 695 legal assistants, working at the grassroots level.

These lawyers have handled more than 33,000 civil lawsuits, recovering economic losses in the billions of yuan (hundreds of millions of US dollars).

The notary services have notarized 557,000 documents, 192,000 having to do with foreigners, and 346,000 related to domestic businesses.

The mediation organizations scattered across the city have handled more than a million disputes over the past 15 years, 27,000 of which were economic ones, and 29,700 involved agricultural contractual disputes.

Historic Film Set Near Beijing Debuts

OW1008133795 Beijing XINHUA in English
1321 GMT 10 Aug 95

[FBIS Transcribed Text] Beijing, August 10 (XINHUA) — The film "July 7 Incident of 1937" is being shown here, dealing with the "Marco Polo Bridge Incident" which took place near Beiping (now Beijing) on July 7, 1937 by the Japanese fascists in their attempt to annex the whole of China.

The incident marked the beginning of the Japanese fascists' all-out war of aggression against China.

The film also portrays many leaders of the Communist Party of China (CPC) and the Kuomintang, and Chinese heroes of the War of Resistance Against the Japanese Aggression, according to You Jianhua, initiator and scenarist of the film. The film was jointly produced by the Publicity Department of the Beijing Municipal Committee of the CPC and the Changchun Film Studio.

You, 37, works in the International Liaison Department of the CPC Central Committee. He studied through a TV education program after serving in the army for four years, and had never published any literary or artistic work before he created this film.

"It was the strong sense of national responsibility that spurred me on to create the film," said You.

He determined eight years ago to compose a film about China's War of Resistance Against Japan (1937-1945).

Using his spare time, he visited the battlefields of the war and made investigations about historical facts concerning the Lugouqiao (Marco Polo Bridge) Incident and the war in general. He completed an over-60,000-word first draft of the film within two years.

It took altogether eight years for You to create the film. "It was patriotism that inspired me to persist in the creation," he said.

"Patriotism is the theme of art and our life. I feel that as a Chinese, I have the responsibility to write about the tragedy our nation experienced so as to make people remember the national humiliation and do more for China's further development," he said.

Inner Mongolian Official on Economic Situation

SK1408062995 Hohhot NEIMENGGU RIBAO
in Chinese 22 Jul 95 p 1

[By reporter Li Guirong (2621 2710 2837): "Inner Mongolia Maintained Good, Stable Economic Development in the First Half of 1995"]

[FBIS Translated Text] As entrusted by the regional government, on 21 July Li Bin, deputy director of the regional statistical bureau, reported on the region's economic development situation: In the first half of 1995, our region maintained good, stable economic development; made positive results in macroeconomic reform, regulation, and control; continued to register stable increases in industrial, agricultural, and livestock production as well as in market sales; continuously maintained a stable financial situation; witnessed increases in peasants' and herdsmen's income; and saw decreases in the prices of goods. Preliminary calculations showed that in the first half of this year, the region's gross domestic product was 27.816 billion yuan, up 6.9 percent over the same period last year when calculated in terms of comparable prices; the increase rate was faster than that in the first quarter of 1995 by 1.1 percent.

The region reaped another bumper livestock harvest. Preliminary statistics showed that as of the end of June, the region had 58.989 million animals, an increase of 1.876 million animals over the 1994 harvest year,

setting another historical record. Despite the serious drought, the region basically stabilized crop-sown areas thanks to efforts by governments at various levels and the broad masses of peasants to increase investment in combating drought. According to the preliminary statistics compiled by the end of June, the region's crop-sown areas totalled 75.517 million mu, up 1.64 million mu over the previous year. The cropping structure was readjusted. Grain-sown areas totalled 61.652 million mu, up 1.247 million mu over the previous year. The region is expected to reap a better agricultural harvest if no serious natural disasters occur in the latter half of the year.

Industrial production steadily increased. The region made noticeable achievements in halting deficits and increasing profits. In the first half of this year, the added value of industries at or above the township level totalled 9.518 billion yuan, up 9.3 percent over the same period last year. Nonstate-owned industrial enterprises and light industrial enterprises continued to maintain a rapid growth rate in production. The growth rate of the added value of the nonstate industrial enterprises was faster than that of state-owned industrial enterprises by 12.6 percentage points. The growth rate of the added value of light industrial enterprises was greater than that of heavy industrial enterprises by 0.6 percentage points. The industrial enterprises' deficits were reduced compared with the same period of last year.

The investment in fixed assets continued to be noticeably controlled, and the investment structure was improved. In the first half of this year, the investment in fixed assets totalled 6.794 billion yuan; the growth rate was reduced by 5.3 percentage points from the same period last year. Of the investment in state units, the investment in capital construction was reduced by 1.3 percent, and that in equipment renewal and technological transformation increased by 21.3 percent. While controlling aggregate investment, the region concentrated its investment mainly on basic industries and infrastructural facilities, such as energy resources, raw material, transportation, postal and telecommunication industries, and infrastructural facilities as well as on the transformation of pillar industries. The investment in state units totaled 4.416 billion yuan, accounting for 86.3 percent of the total.

Markets for consumer goods were stable and tended to be lively. Markets for means of production developed steadily. In the first half of this year, the total volume of retail sales of consumer goods totalled 12.537 billion yuan, up 23.9 percent over the same period last year. When price factors are deducted, the real increase in consumer goods was 2.7 percent, a 2.2 percentage points increase over the same period last year. Affected by the

rapid increase in the peasants' and herdsmen' income and by price increases, the increase in the marketing volume of rural and pastoral areas has been more rapid than that of urban areas since the beginning of last year. Markets for means of production were steadily developed. The situation in purchasing and marketing various means of production tended to be lively.

Local revenues increased rapidly. The financial situation was relatively stable. In the first half of this year, local revenues totalled 1.627 billion yuan, an increase of 25.5 percent; local expenditures totalled 3.81 billion yuan, up 24.5 percent over the same period last year. The region basically fulfilled budgeted revenues and expenditures. The increases in revenues and expenditures were greater than the price increases.

The staff and workers' wages, as well as the peasants' cash income, continued to increase. In the first half of this year, the wage bills of regional staff and workers increased by 23 percent, higher than the increase in the residents' consumer goods prices by 1.3 percentage points. The peasants' per capital cash income reached 581 yuan, an increase of 54 percent over the same period last year. The real increase was 38 percent when factors for prices were deduced.

Price increases tended to drop from the higher price levels, and were appropriately brought under control. Market prices tended to fall with each passing month in the first half of this year. The increase in consumer prices was reduced from 24.3 percent in December last year to 17.8 percent in June this year, and commodity retail prices were reduced from 22.9 percent in December last year to 17.1 percent in June this year, respectively registering decreases of 6.5 percentage points and 5.8 percentage points.

Comparatively prominent problems in the current economic development situation are as follows: The price situation is still grim. Enterprises still have difficulties with reform. Some state-owned enterprises are still confronted with serious difficulties in production and management, and their economic results are rather low. Agriculture and animal husbandry are greatly affected by the sustained drought. External trade is developing slowly.

Shanxi To Build Needed Water Channel

OW1508025895 Beijing XINHUA in English
0233 GMT 15 Aug 95

[FBIS Transcribed Text] Taiyuan, August 15 (XINHUA) — The government of north China's Shanxi Province has called on its people to make further efforts to complete a 314-km water channel which will bring water here from the Yellow River.

The project with an investment of more than 12 billion yuan (about 1.4 billion US dollars) was initiated mainly to ease the water shortage of three cities in the province — Taiyuan, Shuozhou and Datong, which are major energy resource centers for the province or the country at large.

Though tunnelling in the province, which is located on a loess plateau and has mountains and hills on over 80 percent of its area, is considered a challenging task, the project has still attracted many foreign contractors.

Proposed as early as 1958, the project was started two years ago. By now, its water and electricity supplies as well as its communication and transportation systems are well developed.

Besides, some major construction works are also proceeding smoothly with the help of the Italian CMC group of companies.

Knowing how important the project is for the water-short province, the local people are enthusiastic about helping it along.

When a peasant, Wang San, the owner of 0.4 ha of land upon which he makes a good living cultivating medicinal herbs, along the Yellow River, was being asked by the government if a road could be built through his land for the project, he consented without hesitation.

"Go ahead," he said, "I know which is more important."

Tianjin City Encourages Enterprise Mergers

OW1408095695 Beijing XINHUA in English
0940 GMT 14 Aug 95

[FBIS Transcribed Text] Tianjin, August 14 (XINHUA) — This biggest port city in north China has seen 58 enterprises merged by other business entities since 1993, said a spokesman from the city government.

He said that mergers started Tianjin in 1989 but the pace was accelerated only when the government issued encouraging policies.

The government also arranged vocational training to nearly 10,000 workers of loss-making enterprises to facilitate the mergers, he said.

He said that Tianjin No.5 Leather Shoes Factory merged five loss-making enterprises and became the biggest leather shoe manufacturer in north China last year.

"Workers who had been laid off found jobs again and had also seen their income increased," he said.

The Tianjin Wanhua Share-holding Company merged an enamel factory last year, which had been running in the red for seven consecutive years.

Northeast Region**Heilongjiang Secretary Views Trade, Industry***HK1508013195 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 13-19 Aug 95 p 7*

[By Song Lijun: "Heilongjiang Faces Challenge"]

[FBIS Transcribed Text] Harbin — Border cities in northernmost Heilongjiang Province are being urged to develop manufacturing industries to alleviate their over-reliance on border trade with Russia.

A strong industrial base is the key to lasting prosperity for these cities, especially in light of the current depression of border trade, according to Provincial Communist Party Secretary Yue Qifeng.

Although border trade has shown signs of recovery in some cities, Heihe for example, the overall trade is down sharply from the early 1990s.

More than four-fifths of the 8,000 domestic companies that swarmed to the border cities during the 1988-93 period have retreated from the border areas.

"In the past few years, our border cities became reliant on the thriving border trade. But while some people have made a little money in the past few years, the trade has so far failed to boost the local economy," Yue said.

Border cities can find a shortcut to growth by expanding co-operation with affluent South China. The food-processing industry could be the focus of this co-operation, he said.

Heilongjiang is China's most important commodity grain-growing area but its processing ability is weak. Last year, the province produced 25.7 million tons of grain, of which 15 million tons were shipped out of the province.

Meanwhile, highly developed coastal areas are seeking to invest idle capital and transfer some labour-intensive industries to other parts of the country.

"Combining our advantages in resources and labour with the capital, management and technology advantages of southern enterprises will no doubt lead to fruitful co-operation."

Yue also called for large State-owned enterprises to diversify their operations to strengthen the State sector.

Heilongjiang is the country's key base for coal, oil, timber and grain production, and these industries account for a big part of the provincial economy. But rigid controls on many State-owned resource industry enterprises have limited their profitability.

The Daxinanling forest region, for example, covers 78,000 square kilometres and has a population of

500,000, but produced output value of only 1.6 billion yuan (\$190 million) last year.

State companies control 76 per cent of Heilongjiang's industries and account for 80 per cent of provincial revenue.

"The forest industry can expand into the production of organically grown food while Daqing (China's largest oil field) must develop substitute industries before the oil runs out," he said.

Liaoning Site of Software Development Park*OW1308154895 Beijing XINHUA in English 1526 GMT 13 Aug 95*

[FBIS Transcribed Text] Shenyang, August 13 (XINHUA) — The construction of China's largest software park has begun in Northeast China University at this capital of Liaoning Province.

The park, located in the South Lake Science and Technology Development Area in Shenyang, covers 448,000 square m. It is scheduled to be completed by 2000.

The park is expected to become a base of China's self-developed software. The university established a software center in 1990, which has undertaken more than 30 state-designated projects and was designated a state engineering research center of computer software by the State Planning Commission. The center reported more than 30 million yuan worth of software and several million US dollars worth of foreign currency earnings last year.

The software park will be of great significance for the reinvigoration of Liaoning, one of China's oldest heavy industrial bases, and the renovation of traditional industries with hi-tech, Provincial Governor Wen Shizhen said.

The university is vying to build the software park into a bridge between China's softwares and the world market, according to Liu Jiren, university vice-president and director of the software center.

At present, enterprises run by the university have set up connections with hi-tech companies of the United States, the Republic of Korea and Japan.

Liaoning County Self-Sufficient in Power Supply*OW1408083195 Beijing XINHUA in English 0726 GMT 14 Aug 95*

[FBIS Transcribed Text] Shenyang, August 14 (XINHUA) — The Huanren Manchu Autonomous County in northeast China's Liaoning Province has become

China's first county that is self-sufficient in electricity supply.

By this month, 18 medium- or small-sized hydro-electric power stations have become operational in the county, local officials said.

Having a water surface of 24,000 ha, the county in the mountainous areas in east Liaoning is rich in hydro-power resources.

People in the county have always attached importance to making use of such resources. As early as in the 1950s, farmers in Yahe town in the county built a small hydro-power station by themselves.

At the end of 1980s, the local people built a medium-sized hydro-power station with a generating capacity of 24,000 kw in the county in the lower reaches of the Hunjiang River.

The construction of these power stations has promoted the development of the local economy. In 1994, the county's agricultural output value increased 4.6 times the figure for 1990, while industrial output value was up 2.7 times.

In addition, the county makes 10 million yuan (about 1.2 million US dollars) by feeding electricity to the state power grid.

At present, cereal and oil processing factories and township enterprises run by local farmers in the county have more than enough power supply for their operations.

Liaoning Province Expands Forest Area

*OW1108130095 Beijing XINHUA in English
1242 GMT 11 Aug 95*

[FBIS Transcribed Text] Shenyang, August 11 (XINHUA) — Northeast China's Liaoning Province has made progress in afforestation with loans from the World Bank.

The province had increased areas under forests by 76,800 hectares from 1990 to the end of last year, exceeding the schedule of 70,000 hectares, and 93.5 percent of them were up to the set standard.

A provincial official in charge of forestry said that altogether 170.66 million yuan including 103.79 million yuan loaned by the World Bank have been used on the afforestation project.

During their inspections to Liaoning Province, officials from the World Bank and the Chinese Ministry of Forestry highly praised the project, saying it was carried out with "faster speed and better quality."

Vice Chairman Lin on 'Tension' Over Taiwan Strait

HK1508013895 Hong Kong WEN WEI PO in Chinese 4 Aug 95 p A2

[Dispatch from Taipei by Staff Reporters Chang Chien-hua (1728 1696 5478) and Lin Hsu-chiang (2651 2485 3068): "Lin Yang-kang Analyzes Strained Cross-strait Situation in Exclusive Interview with WEN WEI PO"]

[FBIS Translated Text] "It takes more than one cold day for the river to freeze three feet deep." Lin Yang-kang [2651 3152 3263], the gentle and soft-spoken senior counselor to the "President" and Vice Chairman of the Kuomintang, gave a detailed analysis of tension over the Taiwan Strait when he met our reporters in the office of his Foundation yesterday. It was the first time this Taiwanese political heavyweight was interviewed by the Hong Kong media.

"It is actually quite common for an alumnus to visit his alma mater. In my opinion, the visit has aroused such strong reaction from the mainland partly because of Mr. Li Teng-hui's position as 'President' and partly because of his previous words and deeds. Even the people of Taiwan are a bit suspicious." The 68-year-old Lin Yang-kang, or "Uncle Kang," has quite a good reputation in Taiwan. He enumerated the reasons one by one. "'President' Li has always been rather ambiguous and equivocal about unity and independence. This is particularly true in his discussions with the Japanese writer Ryotaro (Totaro?) Shiba. Remarks like 'sovereignty over Taiwan is still undecided,' 'the Kuomintang regime is a foreign regime,' and 'the Kuomintang is only two years old' have increased the suspicion of the mainland authorities about his ideas of country and nation. Thus, I think that the tension in cross-strait relations is nothing more than a general reaction on the part of the mainland authorities to Mr. Li's words and deeds."

Although both are top Kuomintang leaders, Lin Yang-kang differs from Li Teng-hui in the way he views the missile exercise. Li Teng-hui openly stated that the missile tests conducted by the mainlanders are nothing to fear, and that the Kuomintang troops are "capable of dealing with whatever situation." He even hinted in deliberately ambiguous language that Taiwan would develop its own nuclear weapons. Lin Yang-kang solemnly pointed out that as a Chinese, he did not wish to see armed conflicts between the two sides of the Taiwan Strait. The reason is simple. Once war breaks out, public morale will crumble, foreign investors will pull out, local funds will leave in a swift exodus, and Taiwan's vitality will be slowly smothered. The \$100 million held by the Taiwan Government in foreign

exchange reserves, which have been so laboriously built up by the people of Taiwan, will go up in smoke....

Thus, Lin Yang-kang believes that Taiwan should not do or say anything to further infuriate or harm the mainland authorities. "For example, we should not try to seek re-entry into the United Nations. The United Nations countries are units. In going all-out to push for re-entry, we are obviously working for 'two Chinas' or 'one China, one Taiwan.' How can the mainland authorities agree to this?" On the other hand, Lin Yang-kang hoped to see greater prudence [shi fen shen zhong 0577 0433 1957 6850] on the part of mainland China in its handling of Taiwan.

Lin Yang-kang did not deny the presence of the threat of Taiwanese independence repeatedly pointed out by the mainland authorities. He said: "Of course there are people who advocate independence for Taiwan. I am resolutely opposed to Taiwan's independence." He pointed out: "The Democratic Progressive Party (DPP) is a party for the independence of Taiwan. Its party program clearly spells out that its aim is to achieve independence for Taiwan. The DPP has secured about 30 percent of the vote in elections in recent years. Last year they even suggested a new title, national anthem, and national flag for Taiwan. These are proofs of the presence of pro-independence forces in Taiwan." Uncle Kang was clearly quite worked up as he said this. "Taiwan has always been part of China. When the Japanese surrendered in 1945, Taiwan returned once again to the embrace of China, and not a single country in the world voiced its objection. Despite changes in the titles of dynasties in the past 5,000 years, China and the Chinese nation have always had an independent existence geographically and culturally. At no time and under no circumstances will we Chinese will ever betray our nation."

Lin Yang-kang told reporters that his ancestors were originally from Kaifeng, Henan Province, but moved to Fujian in later generations. About eight generations before him, his ancestors left Shibishi in Longqi County and settled in Taiwan, where they have been living for more than 200 years. The ancestor who led the move to Taiwan was Lin Tien-lai [2651 1131 0171], and the family tree is clearly remembered by each generation. The roots of the family are on the China mainland. This is something which will never change. When asked whether he wished to go to the mainland to search for his roots, Lin Yang-kang said: "Of course I wish to go. Regrettably, this is not permitted by our regulations. Sometimes when I was visiting countries like America or Europe, I deeply regretted not being able to visit China. However, I believe that the situation between the two sides of the Taiwan Strait will take a turn for

the better one of these days. I hope that one day I will be able to set foot on the mainland for the first time."

10,000 Participate in 'I Am Chinese' Rally

OW1508054095 Beijing XINHUA Domestic Service
in Chinese 0910 GMT 14 Aug 95

[FBIS Translated Text] Beijing, 14 Aug (XINHUA) — According to news from Taipei [Taipei], some 10,000 people recently held a rally, dubbed "I Am Chinese," in Taipei to commemorate the 50th anniversary of victory of the Chinese War of Resistance Against Japanese Aggression, the world's antifascist war, and Taiwan's return to the motherland.

On the morning of 13 August, the rally — organized by New Tung Meng Hui [xin tong meng hui 2450 0681 4145 2585] and joined by organizations, including the (China United Party) [zhong guo tong yi lian meng 0022 0948 4827 0001 5114 4145] and the Workers' Party — paraded through Taipei streets. The rally was greeted by applause from the masses on both sides of the streets. Rally participants repeatedly yelled slogans, "I am Chinese"; "we must reunify China"; "we oppose Taiwan independence or independent Taiwan"; and "Li Denghui [Li Teng-hui] should step down." A renowned Kuomintang [KMT] figure addressed the rally, and urged the participants to value the fruits of the victory of the war, adding that Taiwan people should be united and denounce "Taiwan independence." Other famous people also spoke and criticized Li Denghui's current policies that led to turbulent cross-strait situation and Taiwan people's confidence crisis.

The (China United Party) and the Workers' Party said in a statement: Fifty years ago, Japan lost in its war of invasion to China and Taiwan returned to China's territory. It was solely because several hundred million Chinese people had undergone the arduous war of resistance for eight years, and purchased the results with their sweat, blood, and lives. These were world-acknowledged historic facts which cannot be simply distorted or discarded. The statement pointed out: Today, a small number of people in Taiwan repeatedly concoct an imaginary concept that "Taiwan people are not Chinese." They even go so far as to distort history and glamorized Japanese imperialists' evil deeds during their colonial rule in Taiwan. Some others yell for an "exodus from Egypt," attempting to be permanently alienated from China. Such statements and deeds have irresponsibly pushed the "living community" toward the brink of a "disastrous community." The statement said at the end: The rally represented the clear-cut stand of all the Chinese people who refuse to let others to manipulate and fool around with their own destiny and China's future. "We are and will be

forever proud to be Chinese, and will be forever willing to unwaveringly fight against foreign forces' schemes to split China."

Radio Comments on Taiwan's Dream of Independence

OW1408124595 Beijing Central People's Radio
in Mandarin to Taiwan 2200 GMT 7 Aug 95

[From the "News and Current Events" program]

[FBIS Translated Text] Listeners and friends:

Not long ago, Newt Gingrich, speaker of the U.S. House of Representatives, proposed that the U.S. Government establish diplomatic ties with Taiwan regardless of U.S. relations with China. Gingrich's proposal filled Taiwan with elation and amazement. Coming on the heels of Gingrich's announcement, however, was U.S. Assistant Secretary of State Lord's comment that the U.S. did not agree with Gingrich's proposal and that Taiwan was not willing to develop official ties with the U.S., because Taiwan was pursuing a one China policy. Lord's remarks not only poured cold water on Taiwan, but also embarrassed the Taiwan authorities. This station's editor (Huang Zhiqing) has written a commentary on the matter entitled: "A Very Difficult Question for the Taiwan Authorities." It is read by (Jian Fei):

Paradoxes in logic are a strange trap; once a person falls into the trap, he can hardly make a consistent statement. The Taiwan authorities are currently in such a trap, one they have created themselves. Although Qian Fu [Chien Fu] has refuted Lord's remarks in strong terms, saying his words were completely inconsistent with the facts, and expounded in detail Taiwan's wish to develop official relations with the U.S., he uttered not a single word about the premise of Lord's remarks — Taiwan's pursuit of a one China policy. This is indeed a difficult question, because if he stressed Taiwan's adherence to a one China policy, then the series of international campaigns, including the pragmatic diplomacy and reentry into the United Nations, which Taiwan has promoted over the years, would all contradict the one-China policy. If he dared say that Taiwan would not follow a one-China policy, it would be like bringing the Taiwan authorities to trial for openly splitting the motherland, and would surely meet opposition from the entire nation. The more someone tries to explain such a self-contradictory issue, the less able he becomes to make his point clear.

Lord's remarks also agitated the Legislative Yuan. Pro-independence legislators of the Democratic Progressive Party [DPP] took the opportunity to clamor for Taiwan

independence, asking the Taiwan authorities to officially give up their one-China policy and expand diplomatic space as an independent state. The Taiwan authorities certainly dare not, and would not, give up the one-China slogan, because it can easily be used to win over the 21 million people in Taiwan, and used as the basis of unhurried talks with the mainland about their common ground on reunification.

In addition, should any flaws appear in activities designed to split the motherland that have been promoted by the Taiwan authorities, they can turn big problems into small ones and small problems into no problem at all by simply repeating remarks, such as there has been no change in the one-China policy and in the objective of reunification.

In the ordinary course of events, the more the two sides of the strait develop relations, the more their consensus on the issue of one China should become solid and concrete. Only this way can they eventually create the foundation for reunification. It is strange, however, that while cross-strait cultural, economic, and business relations continue to grow, the Taiwan authorities' concept and understanding of one-China are getting more illusory and blurred, whereas their splittist consciousness, which is expressed in their actual actions, is more and more conspicuous. Such action is obviously aimed at delaying and blocking the progress of reunification. We hope the Taiwan authorities make a fresh start, and give Chinese people on both sides of the strait a satisfactory answer to the question of reunification with active and concrete deeds.

Shanghai Daily Examines Issue of 'Flexible Diplomacy'

OW1508104295 Shanghai JIEFANG RIBAO
in Chinese 31 July 95 p 1

[By Shen Yan (3947 1484): "What Does 'Flexible Diplomacy' Bring to Taiwan People?"]

[FBIS Translated Text] Since assuming office six year ago, and in a departure from the position of the Chiang father and son [Chiang Kai-shek and Chiang Ching-kuo] that "the hero and the traitor are mutually exclusive," and deliberately using the pretext of "flexible diplomacy," and flaunting the banner of "striving for benefit for the Taiwan populace and fighting for international space for Taiwan's existence," Li Teng-hui spared no expense and effort in going to various countries around the world to peddle the notion of "the two sides of the strait are divided and under separate rule" and creating "two Chinas" and "one China, one Taiwan" in the forms of "economic and trade diplomacy," "vacation diplomacy," and "transit diplomacy." People cannot

help asking what benefit the sort of "flexible diplomacy" pursued by Li Teng-hui has brought to the 21 million people in Taiwan.

Over the past years, Li Teng-hui has visited countries in Southeast Asia, Central and South America, South Africa, and the United States, one after another to carry out the so-called "flexible diplomacy" activities. Bringing all his skill into play and concocting various pretexts, he has spent tens of millions of U.S. dollars alone in lobbying and bribing politicians from other countries to help materialize his visits to their countries as well as several hundreds millions dollars in loans and donations in maintaining relations with the countries "having diplomatic relations" with Taiwan. A few days ago, Taiwanese authorities still talked wildly about not hesitating to spend \$1 billion in buying an admission ticket to the United Nations.

As everyone knows, social wealth is accumulated by the diligent hands, sweat, and toil of the ordinary person. Taiwan has now over \$100 billion in foreign exchange reserves. This is definitely not the doing of any parties or any individuals, much less the private property of Li Teng-hui. It is the money earned by the 21 million people in Taiwan through several decades of toil and indomitable struggle. Li Teng-hui regards the people's wealth as his personal belonging and has extravagantly and wantonly spent it in large quantities. This way of doing things has not benefited the people in Taiwan the slightest degree. On the contrary, because Li Teng-hui pursues in a big way the notion of "two Chinas" and "the two sides of the strait being divided and under separate rule," the ordinary people in Taiwan have been unable up to now to share the great motherland's dignity and glory in the international community. The peoples on both sides of the strait can not but deeply regret and feel indignant over this state of affairs.

Li Teng-hui keeps on declaring that the purpose of pursuing "flexible diplomacy" is to "bring benefit to the 21 million people in Taiwan," to "expand Taiwan's space of existence in the international community," and to "give prominence to the presence of the Republic of China in Taiwan." In essence, this is a complete lie designed to confuse and poison people's minds.

With the mentality of "striving for the inside [li zi 6849 1311] rather than the outside [mian zi 7240 1311]" and of "rather becoming the chicken's head than the ox's back," Li Teng-hui has been willing to be subservient, hit out in all directions, and continue lobbying everywhere in recent years. His real purpose was to satisfy the expansion of his personal power. In the face of the increasingly acute political wranglings on the island, Li Teng-hui's personal desire for power

has been mounting day by day. To maintain and consolidate his autocratic structure and also to shape public opinion for his reelection in the "presidential" elections to be held in early next year, in disregard of national righteousness, Li Teng-hui even had the audacity to fish for political capital by regarding the Taiwan people's interest as his personal political stake and even bribing overseas politicians with the money earned by the Taiwan people's sweat and toil. Isn't this for the sake of bringing benefit to the people in Taiwan? What Li Teng-hui has said and done has clearly shown that the "flexible diplomacy" he is pursuing has brought no substantial benefit to the broad masses of the people in Taiwan except himself.

A review of the past few years shows that the present situation of exchange and cooperation in the economic, trade, and other fields of endeavor between the peoples on both sides of the strait is the outcome of the concerted efforts exerted by the cross-strait peoples for a long time. All 1.2 billion Chinese people, including those in Taiwan, extremely cherish and safeguard the cross-strait relations of today, which has not come easily. While the peoples on the two sides of the strait are working together to seek further promotion of the cross-strait relations after the publication of the important speech General Secretary Jiang Zemin delivered at the beginning of this year, Li Teng-hui clung obstinately to his own course and carried out new rounds of so-called "flexible diplomacy" activities.

Not only did he visit the United Arab Emirates and Jordan but he also visited Cornell University in the United States in the "name of an alumnae," thus once again becoming the arch criminal who poisoned the harmonious development of cross-strait relations. Prior to this, Li Teng-hui had personally directed three military exercises to "counter-check the mainland's invasion," viciously attacked the Communist Party of China, and incited the Taiwan populace's hostility to the mainland. This move of Li Teng-hui to deliberately create tension endangering cross-strait relations was completely a move in which he played the card of the Taiwan people's interest as a stake against the mainland. We wish to ask: Can Li Teng-hui afford to take responsibility for the resulting consequences?

The facts are quite clear: The "flexible diplomacy" pursued by Li Teng-hui has flashed a very dangerous signal, that is, "flexible diplomacy" is equal to "two Chinas;" it is aimed at thoroughly "splitting the motherland;" and it has seriously encroached upon the whole interest of the Chinese nation and brought a serious crisis in relations between the two sides of the strait. Past events warn us: Those who engage in splitting the country and the nation will stand condemned through the ages and will surely be nailed at the stake of shame in history in the end.

Mainland Begins Naval Military Exercises**Factions, Groups Respond**

*HK1508060695 Hong Kong RTHK Radio 4
in English 0500 GMT 15 Aug 95*

[From the "News at 1:00" program]

[FBIS Transcribed Text] The Chinese Armed Forces begin naval exercises and missile tests today in the East China Sea north of Taiwan. There were similar exercises last month about 150 kilometers from Taiwanese waters.

China regards Taiwan as a breakaway province, and the tests follow a deterioration in ties between China and Taiwan following the visit by President Lee Teng-hui to the United States.

MAC Terms Move 'Unfriendly'

*OW1408135795 Taipei LIEN-HO PAO in Chinese
11 Aug 95 p 1*

[FBIS Translated Text] In view of the fact that the HSINHUA [XINHUA] NEWS AGENCY announced the Chinese Communists' plan to conduct firing practice with live ammunition in the East China Sea, the Mainland Affairs Council [MAC] held an emergency meeting yesterday evening [10 August]. Following the meeting, the MAC issued a statement, pointing out that this move by the Chinese Communists was "unfriendly and irresponsible," but it was an expected move and apparently of political purpose. The MAC called on the Chinese Communists to cherish the hard-won results in cross-strait exchanges and to jointly maintain harmony and stability across the Taiwan Straits.

Shortly after obtaining the information on the Chinese Communists' announcement on their plan to conduct firing practice with live ammunition before going off work yesterday afternoon, MAC Chairman Hsiao Wan-chang contacted relevant government departments to exchange views. Later, he called a meeting at the MAC with three MAC vice chairmen, Kao Kung-lien, Yeh Chin-feng, and Su Chi, and MAC Planning Section Chief Chan Chih-hung to discuss our countermeasures and issued a statement after the meeting.

In the statement, the MAC pointed out: During the Chinese Communists' missile tests last time, the MAC has judged that the Chinese Communists would take a series of actions in the future. Therefore, the Chinese Communists' announcement yesterday was not beyond our expectations. Although the Chinese Communists seldom released news on military exercises in the past, they took initiative to make announcements on exercises one after another recently. Apparently, they have a political purposes in doing so. Our relevant departments

should pay close to this change and have the appropriate information in hand.

The statement said: This unfriendly and irresponsible move by the Chinese Communists fully demonstrates that they do not understand Taiwan's situation and public opinions. The MAC called on the Chinese Communists to cherish the hard-won results in cross-strait exchanges and to jointly maintain harmony and stability across the Taiwan Straits.

In this statement, the MAC did not use the words "serious protest" as it did last time in its statement on the Chinese Communists' missile tests. After reading the statement, MAC Spokesman Kao Kung-lien was unwilling to explain why the MAC did not respond in a protesting and denouncing tone this time. The statement pointed out that this move made by the Chinese Communists was "apparently of political purpose." Kao Kung-lien did not explain what the political purpose was either. Last time, the Chinese Communists announced on 18 July that they would conduct missile tests in the East China Sea. After calling an emergency meeting, the MAC immediately lodged a "serious protest," pointing out that the MAC deeply regretted that such a move would endanger peace and security in the Asia-Pacific region, would pose a threat to Taiwan, and would hurt Taiwan people's feelings. In its response this time, the MAC only called the move made by the Chinese Communists "unfriendly and irresponsible."

Air Force Patrols To Continue

*OW1408113595 Taipei CNA in English
1031 GMT 14 Aug 95*

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, Aug. 14 (CNA) — The Republic of China [ROC] Air Force will maintain normal combat preparedness and continue routine patrols between Aug. 15 and Aug. 25 when Beijing will fire guided missiles and live artillery shells in the East China Sea just north of Taiwan, Air Force Commander-in-Chief Gen. Huang Hsien-jung said Monday.

In the face of Beijing's repeated missile drills off Taiwan, Gen. Huang said the ROC Air Force is strong enough to defend Taiwan's air space.

Noting that the air force's "strong net" system can swiftly detect Beijing's military actions, Huang said ROC armed forces are capable of thwarting mainland invasion.

"I hope local people will have confidence in our defense capabilities," Huang said, adding psychological defense relies on the public's effort.

Huang said a second squadron of locally-built jet fighters, known as the Indigenous Defense Fighters (IDFs), will be commissioned in September to beef up the air force's defense capabilities. The first IDF squadron joined air force service last year.

Meanwhile, the air force will take delivery of the 150 F-16s and 60 Mirage 2000-5s from the United States and France respectively in two years. "By then, our air force will become even stronger," Huang said.

He said the military has many channels to gather information about Beijing's missile exercises. "We'll know what types of missiles it has fired soon after the drill begins," he added.

Huang made the above remarks after chairing a ceremony marking the 58th anniversary of the "Aug. 14" air force victory over the Japanese military at the Chienchiao Air Base in Zhejiang province on the mainland during World War II.

Lien, Air Force Chief Comment

OW1508053395 Taipei China Broadcasting Corporation News Network in Mandarin
2300 GMT 14 Aug 95

[From the "Hookup" program]

[FBIS Translated Text] The communist Chinese authorities will start another round of missile launch tests and live fire artillery exercises in the East China Sea today.

On the eve of the exercise, Premier Lien Chan inspected the Defense Ministry. After being briefed, Premier Lien acknowledged the allround readiness of the ministry and the Army, Air Force and the Navy against the exercise. He also instructed the Defense Ministry that it may, at appropriate times and under the premise of not doing anything harmful to military secrets, explain to the public about its preparedness so as to reassure the public.

Commenting on the situation in the Taiwan Strait, Premier Lien Chan said he regrets very much [fei chang yi han] that the communist Chinese authorities have been refusing to renounce their rigid stand of using force against Taiwan. He said: The recent string of irresponsible and insensible moves, and especially the missile and artillery firing exercises in the East China Sea, apparently are deliberate attempts meant to threatening us by force.

Premier Lien stressed that building up the people's psychological defense is something that must be done immediately.

Meanwhile, General Huang Hsien-jung, commander in chief of the Air Force, indicated that the communist

armed forces' exercises are regular exercises. He said: Our Air Force will maintain its normal preparedness, and is watching the communist troops' moves constantly. Our regular patrol missions will not be affected by the communist Chinese exercises. Although our Air Force is now at the stage of having its planes replaced, the Air Force still can maintain its superior fighting power. The first squadron of indigenous Chingkuo fighter planes, which we developed ourselves, was formed last year; and the second squadron is scheduled to be formed next month. In two year's time, F-16's and Mirage 2000's will gradually join our Air Force and become the mainstay of our air defense.

General Huang Hsien-jung indicated that the Air Force is absolutely capable of maintaining air superiority in the Taiwan Strait. He also urged our countrymen to have confidence in the Air Force's defense capabilities.

Recent Events Analyzed

OW1508060395 Taipei CNA in English
0136 GMT 15 Aug 95

["News Analysis" by CNA staff writer Maubo Chang: "Taiwan Can't Survive Without Infuriating Beijing"]

[FBIS Transcribed Text] Taipei, Aug. 12 (CNA) — Communist China will conduct another round of missile and artillery tests north of Taiwan Tuesday [15 August].

Since the beginning of the summer, there has hardly been a month go by without Mainland China trying to scare Taiwan.

Some residents here argue that it makes no sense to irritate Beijing, but others say that Taiwan's presence in the international community will always be a thorn in Beijing's side. And Taiwan cannot survive without taking part in international activities.

Those who would refrain from irritating Mainland China assume that Beijing is rational. However, judging from recent behavior, the opposite is the case.

Taiwan cannot avoid irritating the mainland because Beijing is unreasonable.

Mainland China takes pains to block Taiwan's every effort to explore diplomatic and commercial relations. Beijing even works to prevent Taiwan's participation in civil activities in the international community.

Paying deference to Beijing will not defuse the hostility. This fact has been well proven in the past.

Beijing regards the presence of Taiwan senior officials at international meetings as a taboo, and does its utmost to prevent president Li Teng-hui from attending the Asia-Pacific Economic Cooperation meetings.

Communist China is also determined to make its neighbors and the world's major powers off-limits to Taiwan senior officials, stopping contacts between them at any cost.

That is why Beijing took offense at President Li's visit to his alma mater, Cornell University, in June. Beijing also blasted Premier Lien Chan's visit to the Czech Republic, and even Economics Minister P.K. Chiang's visit to Canada was canceled because of Beijing's meddling.

Taiwan is the biggest foreign investor in Vietnam, but Chiang was coldly received when he led a promotion delegation to visit Vietnam in July.

Vietnam played down the visit by Chiang, who met Vietnamese Deputy Premier Tran Duc Luong and other cabinet members only after office hours to spare them trouble.

Vietnamese officials said in private that they shunned Taiwan for fear of offending Beijing. Vietnam also prohibits the display of the ROC [Republic of China] flag for the same reason.

Chiang sighed mournfully the day he departed Vietnam for Taipei, saying the ROC should review its overseas investment policy, given that the more strained Taipei-Beijing relations are, the more urgently Beijing will clamp down on Taipei's activities abroad.

Overseas investments by Taiwanese are also clouded by Mainland China's interference.

The Taipei Economic and Cultural Office in Ho Chi Minh City, in collaboration with Taiwan business people there, have managed to set up a Chinese-language school in Vietnam, which is scheduled to open in September.

The project has been pursued in low profile from beginning to end for fear any publicity would prompt Beijing's interference.

Even contacts by unofficial organizations with foreign governments raise the ire of Beijing. Wu Kuan-hsiung, the vice chairman of the China External Trade Development Council, planned to visit Burma in August to discuss with Burmese officials ways to improve trade ties, but had to abandon the plan after Beijing objected to the proposed meeting.

Beijing not only prevents Taiwan officials from visiting abroad, but also warns foreign officials against visiting Taiwan.

Mainland China lodged a strong protest with the United States and canceled several scheduled meetings between both sides after U.S. Secretary of Transportation Fed-

erico Pena came to Taiwan for a joint conference of the ROC-USA economic councils.

A Macau delegation that came to Taiwan to solicit investments last month asked the media to black out news of the visit because it would anger Beijing.

All these are evidence that Beijing tries hard to contain Taiwan not only in politics but also in commerce.

Taiwan earned its role in the international community mainly through its economic strength, which is its lifeline. It simply cannot survive without irritating Beijing.

Article Views Mainland's Military 'Expansion'

OW1408140595 Taipei CNA in English
1136 GMT 14 Aug 95

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, 14 Aug. (CNA) — The international community should look seriously at Mainland China's military expansion and develop an effective mechanism to cope with the new situation in the Asia-Pacific region, the Ministry of Foreign Affairs [MOFA] said Monday.

The ministry made the call in response to Mainland Chinese President Jiang Zemin's reiteration over the weekend that Beijing would not renounce the use of force against Taiwan because if it did so, peaceful reunification between the two sides of the Taiwan Strait would be impossible.

Jiang's statement, made in an interview with the Japanese daily ASAHI SHIMBUN, followed Beijing's announcement of a second round of missile tests just north of Taiwan between Aug. 15 and Aug. 25.

The forthcoming People's Liberation Army drill and its firing of six surface-to-surface missiles off Taiwan between July 21 and July 26 are widely believed to be meant to intimidate Taiwan against seeking a larger international profile.

Foreign Ministry Spokesman Rock Leng said Jiang's latest statement contains nothing new and only repeats Beijing's consistent policy of forcing Taiwan to accept its unification terms.

"We hope the international community will carefully study whether Beijing's bully-like intimidation will threaten other countries' national interests, particularly those in the Asia-Pacific region," Leng said.

In the face of Mainland China's military expansion, weaponry exports, nuclear arms development and recent series of missile tests, Leng said, Taiwan hopes the

world will consider establishing a "balance of power" mechanism to maintain peace and security in the Asia-Pacific.

While inspecting the Foreign Ministry operations on Aug. 12, Premier Lien Chan made a similar call for the establishment of a new mechanism to cope with new developments in the Asia-Pacific in the post-cold war era with an aim to safeguard regional peace and security.

Premier, Japanese Group Discuss Reform, Politics

OW1408124395 Taipei CNA in English
0900 GMT 14 Aug 95

[By Debbie Kuo]

[FBIS Transcribed Text] Taipei, Aug. 14 (CNA) — The Republic of China (ROC) has undergone major political reforms in the last six years, establishing a solid basis for plural democratization in Taiwan and winning praise in the western media as achieving a "quiet revolution," Premier Lien Chan said Monday.

Premier Lien told former Japanese Defense Minister Kazuo Aichi and four other lower house dietmen that Taiwan will continue striving to strengthen legal and cultural education so as to accelerate political reforms.

Lien welcomed Aichi and his company to visit Taipei, saying that the visits will give a boost to substantive relations between the two countries.

Kazuo Aichi, 58, is the foster son of former Japanese Foreign Minister Keichi Aichi. He and the four other visiting lower house dietmen all represent the New Frontier Party (NFP), the top opposition party in Japan. NFP enjoyed a landslide victory in the July 23 parliamentary elections.

The Japanese dietmen arrived in Taipei Sunday [13 August] for a three-day visit. They will call on President Li Teng-hui Monday afternoon.

More on Delegation's Visit

OW1508060495 Taipei CNA in English
0202 GMT 15 Aug 95

[By Y.C. Tsai]

[FBIS Transcribed Text] Taipei, Aug. 14 (CNA) — President Li Teng-hui on Monday stressed the government's determination to implement democracy and a multiparty political system.

While a pluralistic society will produce a wide variety of views toward government policies, government leaders must seek to listen to many voices and to settle problems

unselfishly in a bid to promote the people's welfare, Li elaborated.

The president made the remarks during a meeting with Japanese dietman Kazuo Aichi and four other members of the Japanese parliament's Lower House.

Noting that the government has spared no effort to push for democracy, Li said Taiwan's 21 million people can freely express their will, for which the government has respect.

Aichi and his group said they admired the ideals of president Li's administration, pointing out that political democratization will enable the people to lead freer lives and allow social justice to prevail.

The Japanese parliamentary delegation arrived in Taipei on Sunday for a three-day visit. They met with Premier Lien Chan earlier on Monday.

Aichi, 58, a former chief of the Japanese Defense Agency, is the foster son of former Japanese Foreign Minister Keichi Aichi. He and the members of his delegation are members of the New Frontier Party (NFP), the top opposition party in Japan. The NFP enjoyed a landslide victory in the July 23 parliamentary elections.

Foreign Trade Official Comments on U.S. 'Sanctions'

OW1508062395 Taipei CNA in English
0140 GMT 15 Aug 95

[By Y.C. Tsai]

[FBIS Transcribed Text] Taipei, Aug. 14 (CNA) — Taiwan, which has implemented various market-opening measures, will not be subjected to Super 301 trade sanctions by the United States, the Board of Foreign Trade (BOFT) said Monday.

The U.S. Trade Representative (USTR) office has asked American manufacturers to identify those countries that have imposed "great barriers" on international trade, and that list includes South Korea, India, New Zealand and Mainland China.

The United States will first consult with the accused countries before imposing sanctions. If the talks fail, the countries will face 100 percent tariffs on their exports to the United States after a one-month grace period.

Chu Wei-cheng, a BOFT section chief, pointed out that although Taiwan was placed on the "Special 301" watch list in April, its improved trade regime and market-opening moves prompted the Clinton administration to remove separate trade sanctions that were placed on

Taiwan wildlife specimens and products earlier this year.

The United States cited the Pelly amendment to the Fishermen's Protective Act to impose the trade sanctions.

U.S. Firm Participates in Joint Venture Program

OW1408130295 Taipei CNA in English
0931 GMT 14 Aug 95

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, Aug. 14 (CNA) — U.S.-based Northrop Grumman Corp. plans to form a joint venture with Taiwan aerospace companies to overhaul retired F-5 jet fighters for sale to third world countries, government sources said Monday.

According to the Northrop Grumman-proposed F-5 fighter upgrade plan, the American firm will provide technical expertise and parts for its Taiwan joint-venture partners to improve the combat performance of retired F-5 fighters, said officials with the Committee for Aviation and Space Industry Development under the Ministry of Economic Affairs (MOEA).

The ROC Air Force owns 308 F-5e and F-5f fighters, of which about 250 are still in service. All F-5 fighters will be phased out in two years, when the newly-purchased F-16 and Mirage [words indistinct] are expected to join the ROC Air Force.

In addition to refurbishing Taiwan's retired F-5 fighters, the new joint venture will also overhaul F-5 planes phased out by other countries.

Some of the upgraded F-5 fighters will be retained in Taiwan, while others will be sold to other countries through Northrop Grumman arrangements, the officials said.

The joint-venture plan will be part of a strategic-alliance agreement Northrop Grumman will sign with the MOEA Thursday [17 August], the officials said.

Northrop Grumman, formed in June 1994 through merger of Northrop Corp. and Grumman Co., will be the 31st foreign enterprise to sign a strategic-alliance accord with the MOEA to express their interest in strengthening investment in Taiwan and in using the island as their Asia-Pacific operations center.

Under the strategic-alliance pact, the MOEA will assist Northrop Grumman in launching new investment projects in Taiwan and in finding suitable joint-venture partners here.

Northrop Corp. cooperated with Taiwan's military-run Aero-Industry Development Center (AIDC) in produc-

ing F-5es in the 1970s. Therefore, the AIDC, which will soon be transformed into a corporation, is Northrop Grumman's most likely partner in its proposed new venture here. Taiwan Aerospace Corp. may also join the joint-venture project.

The Northrop Grumman-proposed F-5 upgrading plan will include installation of advanced APG-66 radar and renewal of avionics and weaponry systems.

Economic Office To Promote Country Through Monthly

OW1508062295 Taipei CNA in English
0118 GMT 15 Aug 95

[By Peter Chen]

[FBIS Transcribed Text] Canberra, Aug. 14 (CNA) — The Taipei Economic and Cultural Office (TECO) in Canberra plans to publish an English monthly for distribution to Australian government officials, members of parliament and academics in Canberra, Sydney, Melbourne and other major cities in the country.

Samuel Chen, director of the TECO's public affairs division, said the monthly will cover a wide range of topics, including politics, economic development, and cultural ties between the Republic of China [ROC] and Australia.

He said major speeches by President Li Teng-hui and Premier Lien Chan will also be included in the monthly.

"The purpose of distributing the four-page publication in Australia is to allow more Australian politicians, MP's and scholars to understand more about our country," he said in an interview.

"Our relations with Australia have been improving since we set up our representative office in Canberra in 1992. We hope to further increase our friendship with Australia. I believe the publication is one of the channels for us to attain that goal," he said.

The monthly will have an initial circulation of about 1,000, with the first edition set to debut in September, he added.

Economic Affairs Ministry on Investment Environment

OW1408130595 Taipei CNA in English
0948 GMT 14 Aug 95

[By Danielle Yang]

[FBIS Transcribed Text] Taipei, Aug. 14 (CNA) — Foreign enterprises remain optimistic about Taiwan's investment environment, the Ministry of Economic Affairs (MOEA) said Monday.

Ten foreign enterprises, including the China American Petrochemical Co., Bayer, ICI and Du Pont, have each submitted proposals to invest more than NT [New Taiwan] \$1 billion in Taiwan since 1995, with aggregate investment totaling NT\$60 billion (US\$2.2 billion), the MOEA noted.

Between January and July, at least 33 multi-national enterprises applied to set up their manufacturing or media centers in Taiwan under the Council for Economic Planning and Development's Asia-Pacific Regional Operations Center Plan, the MOEA said.

The 33 multi-national enterprises also included Bayer, ICI, China American Petrochemical Co., ACER, Du Pont, United Dominion, Cable Network and Imasco. The foreign companies have asked the government to offer assistance and eliminate investment barriers in Taiwan.

Most of the foreign investments came from the U.S. and Japan and was made in the transportation sector or the chemical manufacturing industry.

In the first seven months of 1995, the MOEA has approved 198 new foreign investment projects and 335 investment increment plans worth a total of US\$1.06 billion, up 50 percent from the first seven months of 1994.

Economic Affairs Minister Yang Shih-chien said this is proof that foreign enterprises have not been affected by Mainland China's recent military exercises near Taiwan and still have confidence in Taiwan's investment climate.

Yang said the foreign companies attach great importance to the government's Asia-Pacific Operation Hub

plan, especially the timetable to improve the domestic investment climate. Therefore, updating rules and regulations are key to maintaining the island's attraction to foreign investors.

Police Apprehend 2 Suspected Heroin Smugglers

OW1408131395 Taipei CNA in English
0848 GMT 14 Aug 95

[By Lilian Wu]

[FBIS Transcribed Text] Taipei, Aug. 14 (CNA) — Taiwan police Sunday [13 August] arrested two women suspected of repeatedly smuggling heroin into Taiwan from Thailand and seized 705 grams of the drug.

Chang Hsiu-ying, 38, and Chang A-hsue, 40, were arrested at Chiang Kai-shek international airport after arriving in Taiwan from Thailand, police said. The heroin, which had a market value of NT [new Taiwan] \$10 million (US\$367,648), was hidden in a cigarette carton.

Criminal investigation bureau officials said they were tipped off about a woman surnamed Chang who made repeated visits to Thailand to smuggle heroin.

A background check revealed that Chang Hsiu-ying fit the description and had left for Thailand last Tuesday [8 August]. She was caught upon her return Sunday.

Chang Hsiu-ying told police that she was paid NT\$300,000 (US\$11,030) for each smuggling trip by a man surnamed Yang in Bangkok. Once in Taiwan, she delivered the drugs to another man surnamed Wang.

Police are continuing their investigation into the case.

Hong Kong**Possible Responses To PRC Maneuvers Studied***HK1408071095 Hong Kong EASTERN EXPRESS
in English 12-13 Aug 95 p 10*

[Editorial: "Taiwan Must Face Bullies of Beijing"]

[FBIS Transcribed Text] Interpreting China's inscrutable behaviour is sometimes impossible. Beijing claimed after its first round of missile war games ended on July 26, two days ahead of schedule, that it had achieved its aim of sending a tough message to Taiwan that Beijing would not tolerate Taiwan's independence.

Now Beijing has changed its mind. The announcement that it will launch another 10-day guided missile and artillery manoeuvre near Taiwan, to start on Tuesday, indicates another lesson is needed for Taiwan after an undaunted President Lee Teng-hui said Taiwan had to consider manufacturing a nuclear weapon.

China's latest move has caused a greater furore in Taiwan than the last one. In particular, fishermen are angry because they will suffer further economic losses.

Despite the opposition New Party's call for Lee to step down to avoid further confrontation with the mainland, Lee still enjoys strong public support.

A number of legislators will present a petition on August 15, the day when the manoeuvre begins, to show Beijing that Taiwan will not bend, and urging Lee to stand in the presidential election next March. Whether Lee will win the election is not in doubt. It only depends on whether he wants to run, and if he does, he will win.

If it is Beijing's intention to get rid of Lee by means of firing another round of empty missiles, it is doomed to fail. Even if Lee decides not to run, any alternative would not curry Beijing's political favour. The New Party, which advocates the concept of reunification and opposes Taiwan independence, has only a minor influence on Taiwan's politics and is unlikely to win in the coming decade.

If the Democratic Progressive Party, the main opposition party in support of independence, won, Taiwan would be pushed towards an even worse confrontation with the mainland. Any other candidate from the ruling Kuomintang would only be a puppet, propped up by Lee. Lee will remain the most powerful man in the party whether or not he bears an official title like China's Deng Xiaoping.

China's missiles will, therefore, not serve any purpose apart from perpetuating its belligerent image in the region. For Taiwan, if it wants to become the Israel of East Asia, it must not lose its nerve in the face of

any military pressure, but carry on with its course of strengthening its defence by updating its weaponry as soon as possible.

This is the only answer to Beijing's bullying tactics.

Editorial Views PRC's Missile, Nuclear Testing*HK1508012695 Hong Kong EASTERN EXPRESS
in English 14 Aug 95 p 10*

[Editorial: "China's Nuclear Aim Off Target"]

[FBIS Transcribed Text] One nation's difficulty is another's opportunity, and that has certainly proved to be the case in the current debate about nuclear testing.

The sense of outrage, and the universal protest over the French decision to resume testing in the Mururoa atoll has allowed the Chinese to continue with their militaristic operations almost without a murmur.

Part of the reason may be that China is regarded as impervious to protest, and any demonstration of anger or disquiet, certainly anything orchestrated by private individuals, is a waste of time. Yet their bullying tactics in holding a series of missile tests off the northwest of Taiwan, and their determination to persist with nuclear testing is a greater cause for alarm than anything France is doing.

The French say their decision to resume testing, deplorable as it is, they claim is necessary for defence. They have not specified where the threat may come from, but to the global community, the decision seems rather more like a bit of extremely misjudged Gallic nationalism — an attempt to convince themselves, or a sceptical world, that they are a world power. China, in defending its decision to carry out tests, claims there is nothing sinister behind the move, but the words of President Jiang Zemin have a rather more hollow sound to them, in view of Beijing's aggressive policy towards Taiwan.

Jiang has said that China was not targeting anyone, but he then added that his country had no intention of calling a halt to tests before a worldwide ban is agreed.

This intransigence is probably because of what China sees as a hostile act by the United States in permitting the visit of Taiwan President Lee Teng-hui in June.

No matter that U.S. President Bill Clinton has stepped forward to shoulder personal responsibility for admitting Lee as a law-abiding visitor on a private trip. Beijing is apparently incapable of understanding the concept of free speech and individual liberty, so fundamental to the West. In their eyes, Clinton's decision contradicted

U.S. acceptance of the One-China policy. No amount of assurances will convince them otherwise.

Clinton's announcement at the weekend that the U.S. now favours a "zero-yield" ban instead of the so-called small laboratory tests that they had once favoured, will cut no ice with China in its present sulk. They brook no opposition. Jiang has said he would not rule out the use of force against Taiwan, as that would prevent the island's "peaceful" reunification with the mainland. The use of the word peaceful from a country about to carry out yet more missile tests on the very doorstep of Taiwan between now and the end of the month, is cynical in the extreme. This "missile diplomacy" has one central aim, and that is to stop the rising Taiwan appetite for independence.

Beijing may be threatening no one with its atomic tests, but the world can hardly rest easy when nuclear power is in the hands of a country so belligerent, and so intolerant of any point of view but their own.

Editorial Views Approach to Taiwan Issue

*HK1408070195 Hong Kong HONGKONG
STANDARD in English 12 Aug 95 p 12*

[Editorial: "Missile Tests Could Backfire on China"]

[FBIS Transcribed Text] Beijing is once again rattling its sabre by announcing more missile tests in the Taiwan Straits. The exercise is bound to raise the temperature in this already tense waterway, which separates the mainland from Taiwan.

What useful purpose can be served by exacerbating the situation in this way? Just who is China trying to frighten with its muscle-flexing? Is this military posturing aimed solely at Taiwan? Or is Beijing trying to impress its ASEAN neighbours who covet the Spratly Islands?

And is Taiwanese President Lee Teng-hui the real target of these blunderbuss tactics? Beijing seems to have a fixation about undermining his position. But there are at least two reasons why any attempt to get rid of Mr Lee could backfire on China. For one thing, he might be replaced by someone the mainland regards as even worse. For another, Beijing's bully-boy strategy may generate sympathy on the island for him.

Some observers believe the timing of the missile tests is calculated to show Americans, and the world at large, that China now occupies a position of strength in its dealings with other countries. There is evidence the hardliners, who appear to have the upper hand in Beijing at present, are anxious to get this message across.

It is unfortunate that cooler heads have not prevailed. All it would take would be a misjudgment on Beijing's part to start another war in the region. And that is something that nobody — least of all China — can afford.

One may also wonder whether Beijing has given sufficient consideration to the economic ramifications of these tests. China has frequently stressed its desire to maintain prosperity and stability in this territory. It has also accused the British of trying to undermine the Hong Kong economy. But these missile tests have created jittery markets here as well as in Taipei. Since Taiwan and Hong Kong are part of Greater China, Beijing should want to see economic stability in both places. Businessmen from both places have also invested heavily in China. It can hardly be in Beijing's best interests to do anything that would adversely affect those investments.

And there is another dilemma facing the mainland. If Beijing adopts a tough stance toward Taipei it may drive Taiwan away and fuel sentiment there for independence. If it appears too accommodating however, pro-independence factions in the island may believe they have been given carte blanche to promote their cause. The best move Beijing could make would be to resume face-to-face negotiations with Taipei over civilian exchanges and start talks on direct communications. This could then pave way for reunification.

While many Taiwanese are anxious to strengthen their own identity, reunification is still a widely desired goal on both sides of the Taiwan Straits. We must hope that common sense will prevail and that China will give up its "war-war" stance in favour of the "jaw-jaw" option.

Editorial Views 'Negotiating' With Beijing

*HK1408070995 Hong Kong SOUTH CHINA SUNDAY
MORNING POST in English 13 Aug 95 p 10*

[Editorial: "Dealing With the Far-Away Emperor"]

[FBIS Transcribed Text] Dealing with China is always difficult, as almost anyone with any experience of negotiating with Beijing can bear testimony, from Hong Kong businessmen to British and U.S. diplomats.

Most recently, it has been Taipei which has been wrestling with the difficulty of how to handle a powerful China, with many Taiwanese now questioning President Lee Teng-hui's strategy of seeking strength through international links and preferring a policy of conciliation and dialogue with Beijing.

For Hong Kong, the problem is even more pressing. In less than two years' time, the territory will be part of China once more. The British diplomats who still handle

most political relations with the mainland will be gone. It will be up to the territory, itself, to fight its corner and press its case with Beijing.

The British experience offers some instructive lessons in how not to behave. Having started with the "kow-tow" line of the sinologists — pioneered by the British former foreign affairs adviser, Sir Percy Cradock — the British veered to the opposite extreme with Governor Chris Patten's "bull in a China shop" approach over his political reform package. Neither line had much success in dealing with a government which puts so much store by consistency. It remains to be seen whether the more moderate approach, which has begun to emerge following the Court of Final Appeal accord, will prove any more successful.

Nonetheless, some of the departing British have offered some useful thoughts on life after 1997. The gloomy warning by the former British Ambassador to Beijing, Sir Robin McLaren, that Hong Kong should sacrifice "three per cent of the freedoms you enjoy in order to be able to insure you keep the other 97 per cent" has the ring of truth to it. Few can doubt that, if the territory is to prosper after the handover, local politicians will have to recognise that "one country two systems" works both ways, and stop protesting about human rights violations on the mainland.

Also of relevance is one of Governor Patten's favourite maxims: "If we are not prepared to stand up for Hong Kong's way of life today, what chance of doing so tomorrow?"

Even among local leftists, few deny that there will be many occasions after 1997, when Hong Kong has to fight its corner against Beijing. Some will want to do this in the international arena or on the streets — especially the democrats who will by then, have been shut out of any meaningful role in the political process. Others will advocate persuasion and try to lobby behind closed doors.

The most important thing will be to have the Special Administrative Region Government firmly on Hong Kong's side. That will not be easy since China may pick its principal officials according to their loyalty to the central government. Beijing may also bring in its own representative to oversee the territory — the Hainan Governor and party chief, Ruan Chongwu, is already being tipped for this post. But the hope should be that, in time, even the most ardent of cadres will be seduced by the allure of the local lifestyle, and "go native".

If that happens, Hong Kong — with the support of its post-1997 administration — will need to try to cultivate all the friends it can in Beijing. Shenzhen

does this by using a special slush fund to offer lavish wining and dining — a tactic the territory may well have to adopt after the handover. Dangerously much depends on one man. The intricate understanding of how the territory works which the Hong Kong and Macao Affairs Office director, Lu Ping, has built up makes him generally recognised to be the best hope for protecting Hong Kong's interests within Zhongnanhai. But Mr Lu's health is so poor that it is doubtful if he can remain in office through the handover.

Ultimately, Hong Kong's chances of finding an effective way of handling Beijing through 1997 and beyond rest on learning to deal with the central government in the same way as other provinces and municipalities in China do. That means currying favour, keeping your head down, and wherever possible — pushing ahead with local projects without waiting for Beijing to object.

As the experience of Guangdong has shown, the ancient saying about "when the mountain is so tall and the emperor is so far away" still holds true, to the extent that the southern provinces of China can get away with defying their northern rulers far more successfully than Hong Kong has ever managed to do towards London under British rule. If the territory wants to do likewise after 1997, it is high time that local politicians began focusing their minds on the matter.

Editorial Views Tokyo's War Compensation

*HK1108061795 Hong Kong SOUTH CHINA
MORNING POST in English 11 Aug 95 p 16*

[Editorial: "People's Interest"]

[FBIS Transcribed Text] Beijing is putting its diplomatic interests ahead of those of the Chinese people in blocking the campaign for Tokyo to compensate victims of Japan's wartime aggression.

Fifty years after the end of World War II, the suffering of the estimated 200,000 Asian women who were forced to act as sex slaves for Japanese forces remains a deeply emotive issue. In recent years, some have become increasingly vocal in pouring shame on Tokyo for doing so little to atone for the suffering they endured and have scored some striking successes. First, they forced the Japanese Government to acknowledge its military's role in running the "comfort women" programme. More recently, a private compensation fund has been established, made up of voluntary contributions from the public.

Yet Japan remains disgracefully half-hearted about atonement, especially in refusing to allow state funds to be used to pay compensation.

Sadly, Beijing is tacitly encouraging Tokyo in this stance. Campaigner Tong Zeng's call for reparations is intensely popular, as shown by the 800,000 signatures his petition attracted and the demonstrations in support on the streets of Hong Kong.

But this has not stopped the Chinese Government from trying to block his campaign by confiscating Mr Tong's passport and breaking up his press conference this week. While such behaviour may help to avoid offending Beijing's largest trading partner and aid donor, it is utterly out of line with the mood of the general public in China.

Beijing would be well advised to pay more attention to the wishes of its people on this issue. If it cannot support Mr Tong's campaign, at least it should stop opposing it.

Factors in Hong Kong's Prosperity Analyzed

OW1508001095 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1020 GMT 7 Aug 95

["Special article" by Yuan Qiushi (5913 3061 1395): "How Did Hong Kong's Prosperity Take Shape?"]

[FBIS Translated Text] Hong Kong, 7 Aug (ZHONGGUO TONGXUN SHE) — How did Hong Kong's prosperity take shape? Opinions vary on this question. To seek the right answer, we must review the course of Hong Kong's economic development, and realistically analyze the causes of Hong Kong's prosperity.

I. Several Stages of Hong Kong's Economic Development

Although Hong Kong was declared a free port back in 1841, a century of development thereafter did not bring prosperity to Hong Kong. In the years prior to the fifties of this century, Hong Kong mainly survived on entrepot trade, with other industries occupying a secondary place. In 1950, Hong Kong's gross domestic product [GDP] was only HK\$3.15 billion [Hong Kong dollars]. Judging by economic development levels, Hong Kong lagged behind not only Tokyo and Osaka, but also Shanghai and Guangzhou during that period.

It was only after the middle of this century that Hong Kong's economy moved onto the track of fairly rapid development. And it was only during the past 20 years or so that Hong Kong could truly be called prosperous. The region went through several stages:

(1) The stage of initial industrial development. During the early fifties, entrepreneurs from Jiangsu and Zhejiang, especially those from Shanghai and Ningbo, brought several billion yuan of capital, machinery and equipment, and production and management expertise to Hong Kong, and began investing in the local textile

industry. For example, the establishment of textile mills in Chuen Wan laid the foundation for Hong Kong's light and textile industrial development. At that time, the Korean War erupted, and the United Nations, manipulated by the United States, imposed an "embargo" on China, causing a decline in Hong Kong's entrepot trade, and prompting many entrepreneurs to switch to processing industries for survival.

(2) The stage of light industrial development. Beginning in the sixties, Western countries underwent industrial transformation, developing technology-intensive industries locally on a priority basis, and transferring labor-intensive production lines offshore. Chinese industrialists and businessmen in Hong Kong quickly seized this opportunity to concentrate on developing apparel, plastics, toys, timepieces, chemicals, electronics, wigs, and other light industries, gradually turning Hong Kong into one of the manufacturing centers in Asia. By the end of the sixties, the output value of Hong Kong's manufacturing sector accounted for 30 percent of the region's GDP, and the number of manufacturing employees represented 47.7 percent of the total number of employed people. The proportion of Hong Kong-made exports to total exports rose to some 80 percent from the 10 percent or so of the early fifties. This signified a shift of focus in Hong Kong's economy from entrepot trade to light industry.

(3) The stage of development in service industries. In the late seventies, neighboring countries and regions, such as Taiwan, the ROK, and Singapore, vigorously developed export-processing industries in an attempt to catch up with Hong Kong, thus exerting tremendous competitive pressure on the latter. Faced with labor shortages and threatened by high land prices, wages, and inflation, Hong Kong's industries found it hard to counter competition through the expansion of local production. Just at that time, the Chinese mainland initiated the policies of reform and opening up. Taking advantage of Hong Kong's proximity to the mainland, Hong Kong's entrepreneurs relocated labor-intensive production lines there, and focused on developing finance, trade, transportation, real estate, tourism, information, and other service industries locally, thus gradually effecting a shift in Hong Kong's economic structure from industry to service.

After nearly 20 years of development, Hong Kong's GDP amounted to HK\$1.0192 trillion in 1994; this is equivalent to \$21,800 in per capita terms, higher than in Britain, Canada, Australia, and other developed nations, and second only to Japan in Asia. Meanwhile, Hong Kong was gradually evolving into the world's top container port, third largest financial center, fourth largest gold market, sixth largest foreign-exchange

market, seventh largest stock market, and eighth largest trading economic entity. It gained worldwide fame as an international financial, trade, and shipping center in the Far East.

II. The Main Driving Force Behind Hong Kong's Economic Transformation and Vigorous Development

The history of Hong Kong's economic development shows that Hong Kong's entry into a period of prosperity basically coincided with China's implementation of the policies of reform and opening up. China's reform and opening up have provided rare opportunities and a powerful driving force for Hong Kong's economic transformation and vigorous development. This is prominently manifested in the following areas:

1. The policies have provided strong support for restoring Hong Kong's industrial strength.

Since the mainland implemented the policies of reform and opening up, Hong Kong's manufacturing sector has taken full advantage of the mainland's cheap labor, low-rent factory premises, and land resources to relocate to the mainland on a massive scale, thus giving rise to a situation in which "shops are located in front and factories in back"; that is, the process of producing and processing products has been transferred to the mainland, with Hong Kong providing marketing, purchasing, design, scientific and technological development, insurance, financing, transportation, warehousing, and other services. It is estimated that more than 80 percent of Hong Kong's production lines — including 90 percent of those producing toys and nearly 80 percent each of those producing apparel, plastics, leather, and electronics — have been relocated to the mainland. In the Zhujiang delta alone, Hong Kong businessmen have established 23,000 joint ventures and 80,000 factories that process materials supplied by clients, and employ more than 3 million mainland workers. Mainland workers' wages are only one-tenth of those of their Hong Kong counterparts. By setting up factories on the mainland, Hong Kong businessmen save more than HK\$200 billion annually from lower wages. This has caused a substantial decline in Hong Kong's manufacturing costs, allowing Hong Kong's products to remain fairly competitive in the international market and to generate huge profits. Some renowned figures in industrial and commercial circles remarked with emotion: "Frankly, we earn our money from the mainland."

2. They have provided tremendous support for Hong Kong's thriving service industries.

Since the mainland implemented the policies of reform and opening up, Hong Kong's economic cooperation

with the mainland has grown closer, with increasingly frequent financial, trade, materials, and personnel exchanges. This has provided substantial support for the development of Hong Kong's service industries. In the financial sector, Hong Kong has become a major gateway through which China brings in foreign capital, thus promoting the significant development of syndicated loan, stock, and capital markets. Some people estimate that 90 percent of syndicated loans used by China are arranged by Hong Kong. Sixty-one Chinese-funded enterprises are listed on Hong Kong's stock market (including those issuing H shares), with a total market value of more than HK\$90 billion. Moreover, China has become an investment target that attracts large amounts of funds. In terms of trade, Hong Kong's total trade volume with the mainland rose from HK\$10.845 billion in 1978 — the early period of reform and opening up — to HK\$854.72 billion in 1994, representing a 77.8-fold increase.

Hong Kong's entrepot trade, both destined for or originating from China, increased HK\$3.873 billion to HK\$868.6 billion, representing a 223-fold increase in 15 years. In 1994, Hong Kong earned some HK\$120 billion from entrepot trade with the mainland, a figure that represents 12 percent of Hong Kong's GDP. The significant development of Hong Kong's entrepot trade with the mainland has directly stimulated substantial shipping and container-port development. Hong Kong handled 1.46 million standard containers in 1980. By 1994 the number had increased to 11.05 million, with cargo originating from or being shipped to China accounting for more than 60 percent of the total cargo volume. Furthermore, commercial and materials exchanges have promoted personnel exchanges. The number of tourists in Hong Kong totaled 2.05 million in 1978. By 1994, it had increased to 9.33 million, 3.86 million of which came from China or headed for China via Hong Kong, representing 41 percent of the total number of tourists who came to Hong Kong. This shows that Hong Kong's shift of its focus from industry to service, and its vigorous development are inextricably linked with the opportunities stemming from the Chinese mainland's reform and opening up.

3. They have provided ample opportunities for the investment of Hong Kong's capital.

It is estimated that three-fourths of Hong Kong's manufacturers have invested in the mainland since the policies of reform and opening up were initiated. Starting as processing industries, these investment projects have gradually expanded to infrastructure, real estate, finance, trade, and tourism. By the end of 1994, the total number of projects funded by Hong Kong (including Macao) on the mainland was 140,000. Contracted investment

funds totaled \$200.4 billion, of which some \$60 billion were actually put to use, representing 62.8 percent of foreign funds actually put to use on the mainland. After coming on stream, most of these projects have operated well and become important sources of profits for Hong Kong's companies. The development of Hong Kong's trade with and investment in the Chinese mainland has also had the direct effect of encouraging overseas institutions to set up offices in Hong Kong. World-renowned accountants, financial advisers, engineers, architects, surveyors, and lawyers have set up branches in Hong Kong. As of 1994, the number of foreign-funded banks in Hong Kong totaled 148, and the number of organizations affiliated with or companies related to foreign-funded banks totaled 155. Of the world's top 100 banks, 85 do business in Hong Kong. Moreover, overseas companies have set up 714 regional head offices and 1,132 regional offices in Hong Kong. These multinational banks and companies have profited handsomely from the Chinese mainland's fast-growing economic relations with Hong Kong. For example, some 60 percent of Hong Kong and Shanghai Banking Corporation's profits last year came from Hong Kong and the mainland, and profits earned by the Jardine Matheson group from Hong Kong and the mainland accounted for some 70 percent of its total profits.

Judging by developments in the aforementioned areas, China's reform, opening up, and economic development are indeed a major driving force that has turned Hong Kong into an international financial, trade, and shipping center. Many people agreed with this fact. Mr. Allen Lee, chairman of the Liberal Party, recently wrote: "Over the past 15 years, Hong Kong has turned from a manufacturing center into a service center. Hong Kong owes its economic prosperity and improved living standards to China's implementation of the opening-up policy in 1979. We need China if we want to maintain prosperity and stability."

III. Crucial Factors Leading to Hong Kong's Economic Prosperity

The important conditions for Hong Kong's prosperity are its location on a traffic artery linking the European, Asian, and American continents; its possession of excellent deep-water harbors; and its implementation of free-port policy.

The mere possession of these conditions does not suffice, however. Some regions in the world that have deep-water harbors and implement free-port policy are not prosperous. Therefore, the argument that unduly attributes Hong Kong's economic prosperity to the natural environment or free-port policy is not convincing. It would not be difficult to discern from the forego-

ing analysis two crucial factors leading to Hong Kong's prosperity:

The first is the China factor. Hong Kong has chronically enjoyed full support from the motherland at its back. In particular, it has derived enormous benefits from the policies of reform and opening up there. Since the founding of New China, the mainland has lent full support to Hong Kong in terms of material and policy in accordance with the principle of "long-term planning and full utilization." For its drinking water, Hong Kong primarily relies on the mainland's Dongjiang Drinking-Water Project. In accordance with Premier Zhou Enlai's instructions, the mainland has delivered by express train fresh meat, fish, vegetables, and fruit to Hong Kong three times a day since 1962. According to statistics, the prices of food and raw materials for textiles and apparel supplied to Hong Kong by the mainland were 55 percent and 65 percent lower than those in other regions during the seventies. Following reform and opening up, the mainland has taken Hong Kong as an intermediary and bridge leading to the rest of the world, and comprehensively developed economic cooperation with it, providing ample resources, vast markets, and numerous business opportunities to facilitate its economic development. Meanwhile, the mainland has increased direct investment in Hong Kong. Thus far, Chinese-funded enterprises have invested more than \$25 billion in Hong Kong, becoming Hong Kong's second largest outside investors. In terms of business size, the volume of trade conducted by Chinese-funded enterprises represents 22 percent of Hong Kong's total trade volume. Savings deposits secured by Chinese banking groups account for 23 percent of total deposits; freight transported by Chinese-funded transport enterprises represents 25 percent of Hong Kong's total freight volume; and business undertaken by Chinese-funded tour operators take up some 50 percent of Hong Kong's total tourist business. All this shows that the China factor is a crucial factor leading to Hong Kong's prosperity. Had it not been for the China factor, Hong Kong would not have achieved the success it enjoys today. To be sure, the mainland's relations with Hong Kong are based on mutual need, reciprocity, and mutual benefit. Fundamentally speaking, Hong Kong needs the mainland to a slightly greater extent.

The second is the hard work of Hong Kong people. More than 90 percent of Hong Kong residents are Chinese; they are diligent, flexible, and adept at seizing opportunities for self-development. Former British Prime Minister Margaret Thatcher said: "By taking a look at Hong Kong, one will realize that the Chinese people are born entrepreneurs." During Hong Kong's several important stages of development, Chinese industrialists

and businessmen responded in a flexible manner and maintained their lead. During Hong Kong's industrialization process, apparel, toys, plastic flowers, timepieces, and radios produced by Chinese-funded enterprises enjoyed worldwide fame, securing stable overseas markets for Hong Kong. During the mid-sixties and the seventies, Chinese capital was funneled into the real estate, financial, trade, shipping, and retail sectors, and this fueled Hong Kong's economic development. Following the Chinese mainland's reform and opening up, Chinese capital was the first to head north where it was used in cooperation with the mainland in various fields, with the result that Hong Kong's economy embarked on the track of mutual complementarity, mutual benefit, and common prosperity with the mainland. Chinese entrepreneurs' contributions to Hong Kong's economic prosperity are tremendous, and many large cities in the world cannot rival the diligence of Hong Kong workers. That is why Deng Xiaoping pointed out: "Hong Kong's past prosperity was mainly created by Hong Kong people who are predominantly Chinese." This conclusion is by no means a "political slogan"; it is fully based on objective factors.

IV. Hong Kong's Promising Future

Hong Kong's current prosperity was created in a down-to-earth manner by the Chinese people of Hong Kong who made use of various favorable factors with the encouragement of China's reform and opening up. Following China's resumption of the exercise of sovereignty over Hong Kong after 1997, the basic conditions for Hong Kong's prosperity will not only remain unchanged but will also be strengthened further due to the following two factors. This will allow Hong Kong to demonstrate its economic vitality even more fully, and play an even more important role.

The first is China's sustained economic development. Following Hong Kong's return to the motherland, the mainland's sustained and stable economic development will create more investment opportunities for Hong Kong, open up more areas of economic cooperation, provide greater material support, and advance the further development of Hong Kong's economy. There is no doubt about this point, which is quite evident to foreign media people and Hong Kong's industrial and business circles. In a recent commentary, the *ASIAN WALL STREET JOURNAL* pointed out: Located at the heart of the mainland's most vibrant, open, and fast-growing region, Hong Kong has gradually become a commercial center in southern China. This is Hong Kong's good fortune, which will only strengthen Hong Kong's status as an international trade and financial center, instead of leading to Hong Kong's "demise." Although China's further economic development will promote prosperity

in Shanghai and other coastal cities, the relations between these areas and Hong Kong will primarily be based on mutually complementary cooperation, and will not be replaced by competition.

The second is the Chinese Government's implementation of principles and policies toward Hong Kong. In the Joint Declaration signed by China and Britain back in 1984, the Chinese Government solemnly enunciated 12 basic principles and policies toward Hong Kong; guaranteed that Hong Kong's existing social and economic systems, way of life, and laws would basically remain unchanged; and promised to implement "one country, two systems and the policy of letting Hong Kong people govern Hong Kong." These principles and policies were later written into the Basic Law. Firmly implementing these principles and policies conforms to both Hong Kong's interests and China's national interests. For this reason, the Chinese Government will make all-out efforts to implement these principles and policies to create even better conditions for Hong Kong's prosperity.

In sum, the many favorable factors that have led to Hong Kong's prosperity will not disappear following China's resumption of the exercise of sovereignty over Hong Kong; instead, they will be brought into greater play as a result of liberation from colonialist shackles. After truly becoming the masters of the land of Hong Kong, the Chinese people there can surely do a better job of governing and developing Hong Kong. Just as Deng Xiaoping pointed out early on: "We should believe in Hong Kong Chinese people's ability to govern Hong Kong well. Not believing in the Chinese people's ability to govern Hong Kong well is a mentality remaining from old-line colonialism." Compatriots in Hong Kong will surely be able to create an even better future.

Official Demands Beijing Say in Forex Spending

HK1108052195 Hong Kong SOUTH CHINA
MORNING POST in English 11 Aug 95 p 6

[By No Kwai-yan and Linda Choy]

[FBIS Transcribed Text] Principal officials-designate of the Special Administrative Region (SAR) government should have a say on how Hong Kong's foreign exchange fund is invested before 1997, a Chinese official said yesterday.

The statement follows the Government's announcement on Wednesday on the updated status of foreign exchange reserves, which stood at US\$53.6 billion (HK\$414 billion), a nine percent rise on reserves at the end of 1994.

The director of the Research Department of Xinhua (the New China News Agency), Yang Huaji, yesterday attacked the Hong Kong Government, saying not only had China not been given details of the fund, but the future government of the SAR had no say on its operation.

"The Hong Kong Government should discuss the management of the fund with the principal officials designate when they appear next year," he said. "Not just for the right to know, but [the designates] should participate in the investment decision-making. Otherwise what can we do if there are bad debts?"

China has representatives on the Foreign Exchange Fund Consultative Committee, but he said China did not just want consultation — it wanted the right to decide on investment policy. It was extremely important for the SAR government to understand the fund's operation, as it was the main factor stabilising the Hong Kong dollar, he said. But China had too little information about the fund. What was published in the Government's annual report was not enough, said Mr Yang.

Chinese representative on the Joint Liaison Group (JLG), Chen Zuo'er, also demanded that Britain lodge more details with the mainland.

Meanwhile, the JLG meeting on the discussion of the transfer of government assets to China would be held soon, Mr Chen said. He emphasised that government assets were an important part of transfer of sovereignty, which both sides were responsible for discussing before the handover. Foreign exchange funds were a vital floating asset of the Government, he said. The matter should be fully discussed before the transfer.

Mr Yang also hit out at the Hong Kong Government for refusing to submit information on its floating assets as well as those related to government-owned companies. He demanded that detailed information on the financial situation of the Land Development Council and the Mass Transit Railway Corporation, both fully owned by the Government, be handed to the future SAR government. Details should also be given on the amount of bonds issued overseas, Mr Yang said.

"They should be handed to the future ruling body of Hong Kong to allow them to grasp a better understanding of the whole [financial] situation," he said. "Everyone but the Government knows by common sense that the two companies are owned by the Government, they have never mentioned that in their briefings."

Board Member Views Capital Punishment

HK1108061595 Hong Kong HONGKONG
STANDARD in English 11 Aug 95 p 3

[By James Kelly]

[FBIS Transcribed Text] The death penalty should be reinstated to combat drugs trafficking in Hong Kong, a member of the government's anti-drug advisory board says.

The call came from Action Committee Against Narcotics (Acan) member Justein Wong Chun who is frustrated by the level of sentences being handed down by the courts.

The death penalty was repealed in 1991. The last hanging was in 1966 for murder. When the law was taken off the statute books, 40 prisoners on death row had their sentences commuted to life imprisonment.

"The death penalty should be reintroduced for drugs trafficking, especially for those who use young people," Mr Wong said. The urban councillor said trafficking was an insidious crime which was destroying the lives of many young people in Hong Kong.

"Even if the law allows for life sentences it doesn't necessarily mean life sentences, it could mean two years," he said.

Other Acan members shared Mr Wong's concern about sentences meted out to drugs traffickers but stopped short of supporting his call for the reintroduction of the death penalty. It is understood Acan has not discussed the issue.

About a year ago, the then chairman of the Local Inspectors Association, Robert Chau, was reprimanded by senior police for lobbying Beijing to reinstate the death penalty after the transfer of sovereignty in 1997.

China, Singapore and Malaysia all execute drugs traffickers.

Senior lecturer in law at the University of Hong Kong, Dr Nihal Jayawickrama, has previously said it is possible that the Special Administrative Region government will consider reintroducing the death penalty if drugs are seen to be a major problem after the handover.

Chief Superintendent Eric Lockyear declined to comment on whether police would like to see the return of the death penalty, saying it was not appropriate for police to get involved in sentencing.

Commissioner for Narcotics Alasdair Sinclair said the question of whether capital punishment should be part of Hong Kong law went beyond just drug trafficking.

"People would support its reintroduction because they would like to see the problem go away quickly," Mr Sinclair said. "But from the enforcement point of view it's the minor cases that are most likely to go to court."

Among others who have called for the return of capital punishment is David Chu Y-lin, a member of the Preliminary Working Committee, who reflects the growing support for its return shown in opinion polls.

At a Rotary Club lunch yesterday Mr Wong also suggested a reform to the vice ordinance to allow police to apply for court orders to close pharmacies found illegally supplying prescription drugs.

On Tuesday, two nurses were each ordered to serve 170 hours community service for supplying drugs to patients without medical consultation.

"I think this sends out a good message that if you are caught distributing drugs wrongly you will be penalised," Mr Wong said.

Pro-Beijing Groups Field Numerous Candidates

HK1408080195 Hong Kong SOUTH CHINA
MORNING POST in English 14 Aug 95 p 6

[By Linda Choy]

[FBIS Transcribed Text] The pro-China camp has launched a full-scale challenge against the Democratic Party in the Legislative Council [Legco] election, with about 30 candidates signed up before the close of nominations today.

Leading pro-China flagship, the Democratic Alliance for the Betterment of Hong Kong (DAB), alone has fielded 14 candidates. There are three candidates from the pro-China business group Hong Kong Progressive Alliance and four from the Liberal Democratic Federation. The rest are members of the Federation of Trade Unions

(FTU), China's advisory bodies, and the Preliminary Working Committee.

The Democratic Party is fielding 22 candidates, 15 in the geographical polls. Two more, Yuen Bun-keung and Alan Tam King-wah, are expected to register for the Election Committee and Regional Council seats today. With the registration of a founding member of the former United Democrats, Tam Tai-on, as a contender for the New Territories Central seat this morning, all the geographical seats will be contested.

Democrats in three constituencies are challenged by DAB heavyweights. Democratic Party vice chairman Yeung Sum will face the DAB's Gary Chen Kai-nam in Hong Kong Island South. In Kowloon Southeast, Fred Li Wah-ming is up against the DAB's Tam Yiu-chung, former FTU representative in Legco. The DAB's Chan Yuen-han, who lost marginally to the Democrats in 1991, is back to challenge Mak Hoi-wah, a first-time candidate.

The strong pro-China presence comes despite China's aim to dismantle the three-tier political structure in 1997. Chinese officials have made remarks encouraging local patriots to participate in the elections.

DAB chairman Jasper Tsang Yok-sing will fight first-time candidate Bruce Liu Sing-lee of the Association for Democracy and People's Livelihood (ADPL) in Kowloon Central. Incumbent Martin Lee Chu-ming, the biggest winner in the 1991 election, is challenged by Choy So-yuk of the pro-China Hong Kong Progressive Alliance.

In the Election Committee election, the Democrats and the DAB are almost sure to win two seats each, with another seat going to the ADPL's Law Cheung-kwok. Other contestants include PWC members Ambrose Lau Hon-chuen, David Chu Yu-lin and Lo Suk-ching.

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